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POVERTY AND WASTE

BY

HARTLEY WITHERS

AUTHOR OF

"THE MEANING OF MONEY," "STOCKS AND SHARES," "MONEY CHANGING," ETC.

"The greatest of all possible social reforms would be to raise the standard of wages throughout the country."—MR. BONAR LAW

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PREFACE

It is hard to believe that many, who see all the evils of poverty, would live wastefully if they understood how close is the connexion between poverty and waste. This is my excuse for trying to make this connexion clear.

HARTLEY WITHERS

April, 1914

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POVERTY AND WASTE

CHAPTER I

INTRODUCTORY

DISCONTENT with the achievements of civilization is a common and most hopeful symptom in the minds of most of us to-day. Mankind has won marvellous victories over nature and yet remains with an uneasy feeling that it is not a whit better off. We have linked together the uttermost ends of the earth with steamship lines and railways and telegraph wires, the wilderness has been made to blossom like the rose, we can fly, we can flash messages through the air, we can photograph invisible stars, we can talk to our friends in Switzerland, we can have concerts and preachers laid on to our houses like a water supply; and yet the struggle

for existence was never fiercer, and all the feats of engineers and men of science have not made our lives any easier or happier or pleasanter or more beautiful. We have a more varied mental diet, but our appetite is not what it was, and our digestion is seriously impaired.

This feeling of disillusionment and discouragement is most marked and most cheering when the flashlight of thought is turned on to the business relations of one man with another. Here we ought to see more improvement than anywhere, and we see less. The triumphs that have been won have been almost entirely material. We have been so busy building railways and factories and improving machinery and covering the world with bank branches, that art and philosophy have had to sulk in the background and beauty has given way before usefulness. This we could not help, because we cannot do everything at once; and nobody would have complained if all this usefulness had really been useful, if these material achievements had achieved anything towards making us more contented and happy. Art and philosophy can well afford to wait until " the whirligig

of time brings in his revenges." But thoughtful mankind is surprised and sore when it finds itself, at the end of a hundred years and more of glorious and successful enterprise in the fields of industry, still working harder than ever for its living and more than ever beset with unsatisfied wants.

Two causes stand out to account for this feeling of disillusionment and failure. One is the old natural craving which makes almost every one, how much soever he has got, ever want more, and the other is a new and most exhilarating but very unsettling symptom. This is the dawn of a belief that no industrial victory can be complete, no material achievement can have reached its goal, as long as those who do the hardest work get so mean a share of the good things of the world, that they have no chance of life, in the fullest sense of the word.

Of these two causes the first is merely a bad mental habit. We are discontented because we are dissatisfied, and we are dissatisfied because we compare our progress with that of our neighbours instead of with that of our forbears. Measured by the standards of former centuries,

the comfort that we now enjoy is astonishingly bountiful. If we are not therefore the happier, that is partly because the way to happiness does not lie through comfort, partly because with our greater control of the world's goods many other things have been added unto us, such as hurry and noise and a crowd of confused impressions that wear our minds like the pavement of a busy street. But, chiefly, it is because it is part of man's nature never to be satisfied as long as he sees other people better off than himself. If all our incomes could by some miracle be doubled to-morrow, without any loss in buying power, we should not feel really any better off, except, perhaps, during the first few days, because compared with our neighbours we should be just where we were before. This relative view of happiness, this craving to lift one's self a little above one's neighbours, is at once the cause of much of man's chronic discontent, and the spur that goads him into progress. It is not necessarily a sordid motive. It seems so to-day, because to-day the badge of success is expressed in wealth, and a man is said to have distanced

those who started with him if he has made more money than they. But apart from all question of money, a healthy combative instinct in the normal man makes him always want to be ahead of his fellows in something or, if possible, in everything. Being merely a mental habit, this form of discontent can be cured or greatly lessened if the mind can be trained to see its absurdity when it is carried too far, or has bad effects. Then, instead of always holding out our plates to Providence for a bigger helping than our neighbour, we should learn to thank Heaven for all the gifts that it has showered upon us, without measuring them against those that are enjoyed by somebody in the next street.

The second cause of our present discontents is a new light whose widening ray is going to make this century one of the most interesting in history. The belief that the poverty of the workers is a thing that can and must be abolished may be a will-o'-the-wisp that will lead us into a morass of economic failure; but even if it be so, the failure will be a glorious effort for one of the most inspiring causes that

have ever fired mankind to folly. Hitherto it has always been assumed, except by a few voices crying in the wilderness, that by the force of inexorable economic laws, every nation must have its human dregs, living in a state of half-clad, half-fed misery, and making a mockery of the civilization which allows their existence, and that even the best paid of the working classes must go short of many of the goods and services that make the world a pleasant place for those who enjoy them. Among the many doctrines which have been questioned and set at nought by the inquiring spirit of the present age, this ancient dogma of the inevitability of destitution is perhaps the toughest nut that it is trying to crack.

So far the results of the presence in our midst of this new and noble ideal are ugly and disappointing on the surface. They could hardly be otherwise. An ideal must have its growing pains, and when mankind's notions are suddenly given a violent twist, mental dyspepsia is almost certain to ensue. Hence it is not very surprising to find cautious and conservative folk shaking their heads over the melancholy output of

froth and bad temper and windy theorising that is going on among us. The speeches, newspapers, and cartoons that voice and depict the feelings of the working classes would lead one to believe that the labourer lives in a chronic state of down-trodden sweated slavery, that the capitalist is a heartless hound whose one desire in life is to grind the faces of the workers and swell his bank balance, and that the line between the classes and the masses was never so strictly drawn as it is to-day. On the other side, it is only too common to find the perfectly reasonable efforts of the workers to get a bigger share of the good things that they help to make, described as attempts at robbery of the capitalist and the owner of property. Hovering on the outskirts of the controversy are a crowd of well-meaning theorists, who insist on telling the rest of the world how much better everything would be arranged if only certain assumptions were granted which involve a revolution in human nature and the creation of a new heaven and a new earth.

Ugly and disappointing as this spectacle is, there is no need to take it too seriously. We

are quite used to seeing politicians in opposite camps, describing one another as traitors who are planning the ruin of the country in order to further their mean ambitions, and then going off arm-in-arm to dine together or play a round of golf. Allowance must always be made for rhetorical licence, for it is difficult for enthusiasts to learn the great lesson, that the most effective way to state a case is to understate it.

It is fairly safe, therefore, to assume that the mass of the workmen do not cherish the delusions about capitalists that are too often expressed by their spokesmen. They know as well as anybody that the employers and capitalists are quite ordinary human beings, who are engaged in working their businesses or investing their money to the best possible advantage, just as the workmen are trying to get as good a price as they can for their labour. Often enough the workmen find it hard to see that there is any sense or fairness in a system under which a man, who has a nice clean job needing no bodily effort at all and no mental effort that is beyond any one of quite ordinary intelligence and education,

may receive a salary that mounts up to thousands of pounds per annum, while those who do hard and dirty work for much longer hours, are paid a weekly wage which is thought handsome if it amounts to a hundred pounds in a year. They often think that this is all wrong and ought somehow to be put right, and they are groping after some means of doing so. They are likely enough to make plenty of mistakes by the way, but they do not often make the mistake of believing their employers to be monsters of greed and wickedness.

From the point of view of the capitalist the claims of labour to better wages are readily enough admitted, in the abstract and as a matter of theory. Any rich business man, if you find him in a candid and reasonable frame of mind, will admit that the hours that are worked and the pay that is earned by most of the hand-workers of the country, do not give them a fair chance of a fair life as human beings, and that it is wrong that this should be so. If it could be put right without upsetting the whole economic machinery of the world, he would be delighted to see it done to-morrow; but he

cannot see how it is possible, and he generally points out, quite truly, that if the Government or anybody else is going to try fanciful experiments and upset the said economic machinery of the world, the worst of the inevitable suffering will fall on the poorer classes. It is not his business to put the matter right, and he is often rather inclined to resent this uncomfortable skeleton's being brought out of its cupboard. Generally he gives evidence of having given much more thought to the matter than might have been expected of him. Sometimes he quotes Holy Writ to show that poverty must always be with us; and one suspects that he quiets his conscience by drawing big cheques for charities; but quite a sensitive conscience on the point is almost always to be found if one takes the trouble, and the right moment, to dig for it.

Nevertheless, if all this be granted, the fact remains that there is much too much bad temper in the mental attitude of most people when they approach this question of poverty and the distribution of wealth; and bad temper will not help anybody to solve it, whatever the solution may be. This controversy differs

from most of the controversies that have happened before, in that it is a matter of business, and so, if it is to do anybody any real and lasting good, must be approached with all the sweet sanity and serenity of temper in which alone good business can be done. If your controversy is political or religious, it may be better for you to be able to work yourself into a state of boiling fury and convince yourself that all who are against you are traitors to their country or servants of the devil, as the case may be. In such a frame of mind you may be able to wield your broadsword in the battle of Marston Moor or Ivry with a heartier zest and a mightier sweep, and the greater the heap of your slain, the more complete is the triumph of your opinion.

But when the controversy is concerned with a question of the relations between labour and capital, it is like a quarrel between two halves of a pair of scissors. If they hitch themselves apart and hack notches out of one another, every hack that they make lessens the cutting power of the pair, when it is finally joined together again, as it must be some day. For

capital cannot do without labour any more than labour can do without capital, and a satisfactory end of their dispute can only be reached by mutual consent and agreement. If, as is hard to believe, it is economically impossible for labour to get a bigger share of the good things that it helps to produce, there will be no end of the controversy until labour is convinced of the fact by fair and evident proof. No exertion of force by the governing classes will have any long-lived effect. If, on the other hand, labour can and ought to make its claim good, it can only do so by putting it forward in a way that will compel respectful attention. It has much in its favour—great political power if it knew how to wield it with judgment, and wide sympathy backed by the awakened conscience of many thousands among the richer classes who feel uncomfortable in the possession of wealth, because they know that the many live under conditions which are a reproach to the rest of the community. This being so, the workers are only spoiling a great chance by disunion among themselves, and a tendency

to disregard agreements, which makes it difficult for employers to arrive at any arrangement which they can count on as binding. Just as forcible repression of the claims of the workers will never serve as a lasting remedy against them, so these claims will never win a lasting victory by violent and unfair means. It is not a case of war, but of a bargain, and it is the essence of a bargain that it should be agreed to, and recognized as just, by both the parties to it. Otherwise it is no bargain, but an extortion which will be cancelled and avenged as soon as the wronged party gets his chance.

All these platitudes ought to be obvious enough, but in fact they are often forgotten. So much so that it seems to be necessary to put in a plea for a little sweet reasonableness on this subject, and above all for a clearer understanding of it. The voice of public opinion will speak on this question with weighty effect, and there are many among those whose private thought is finally rolled together into public opinion, who would gladly understand more about these difficult problems if they could

find some statement of them which is not too technically obscure.

To provide such a statement is the object of this book, and in so doing to make some suggestions as to what, if anything, may be done by the ordinary private citizen towards helping to bring about a better state of things in the business affairs of the world. Many of us are tired of the modern tendency to cry out for the Government to do something, and in the meantime to do nothing ourselves: not necessarily because we do not think that the Government ought to do much more than it does, and much faster, but because we know that there are very great difficulties in the way of getting things done by Government, whereas whatever the ordinary citizen can do, he can do at once. In this case the call to action on the part of the individual is all the clearer because, as I hope to show, he is himself, as consumer and buyer of goods and services, a cause of much of the poverty that is a blot on our civilization.

CHAPTER II

THE WEALTH HEAP

EVERY year mankind produces a certain amount of goods and services. Some of the goods that we make or win, such as bread or milk, are produced to be immediately and literally consumed—eaten or drunk and seen no more. Some, such as clothes, are consumed in an economic sense as soon as the buyer has taken them off the market, but are not consumed, in the sense of being worn out, for a length of time that varies with the stoutness of the stuff and the taste and wealth of the buyer. Some, such as houses, railways, or canals, may last for centuries if kept in repair. A very few, such as diamonds, will last as long as our world exists.

The services that we render are nearly all momentary, as far as their economic effect is

concerned. If a doctor restores his patient to health, the effect on the patient's body may last as long as he does, but the doctor's service is closed economically, as soon as the patient has paid the bill. The doctor does not get rent for it as he would from a house that he had built, and the patient has not bought anything that he can take off and sell as he could a suit of clothes. Perhaps the most important, economically, of all the services is that rendered by the transport agencies, the ships and railways and carriers' carts and motor lorries and caravans, that take goods from the places where they are grown or made and put them down in the places where they are wanted by buyers. This service is clearly consumed as fast as the goods that have been moved are bought and used.

These goods and services that mankind is continually producing, added to the existing stock of those goods which still have an exchangeable value—that is, can still be sold for money—make up the world's wealth. The faster they are turned out, and the better is their quality, the greater is the wealth of

mankind. And one of the reasons why so many people have been disappointed by man's economic progress in the last century is because, in spite of the marvellous quickening in the output of goods and services, we do not seem to be any nearer to the Psalmist's ideal of "no complaining in our streets." On the contrary, from the underpaid workman who cannot buy a good meal and the harassed millionaire who cannot digest one, the chorus of complaint rises in inharmonious unison. There must be something wrong with the management of the matter.

Management in the matter does not exist, and, as things are at present arranged in human society, cannot exist. The whole business is left to hazard. Goods and services are turned out for the market according to the producers' forecasts of the profits that they hope to be able to make by selling them. Probably the influences which turn producers into one line of production or another are, in most cases, purely accidental. A boy goes into a trade or business because there happens to be an opening, and he wants to make a living somehow.

There is very little choice for most of us, and the choice is generally made long before the individual has any reasoned opinions on the subject. But in so far as any judicious choice of an industry or business is possible, the greatest number and keenest activity of those who provide for the needs, real and imaginary, of mankind, will tend to devote themselves chiefly to turning out those goods and services on which the profit is expected to be biggest. There is no benevolent despot who can say, "Thousands of my people cannot get enough bread and beef. See to it that ten more regiments of my productive army are set to work to grow corn and raise cattle." The productive army, being at work for the profit of its officers and rank and file, works along the line of most profit, being sensible business men, with no sentimental illusions.

It was the belief of old-fashioned economists that if only everybody was left free to pursue his own interests, the best possible state of economic welfare would somehow or other emerge. Partly because the complete freedom demanded by them could not be given in any

human and humane society, this cheerful theory has not yet proved itself true in practice. The net result of our haphazard economic system is, that a large part of mankind is under-fed, ill-clad, and ill-housed, and is shut off from many of the comforts and decencies of life, while a large part of the rest spends much of its time in wearying itself by consuming things that it does not really want and vying with itself in vulgar ostentation and waste.

This being so, does it follow that no remedy is possible, except by substituting for this system the benevolent despotism of an individual or of a Socialistically organized State? This would be a dire conclusion, for many years of argument and perhaps of bloodshed lie between us and the possibility of either kind of despotism, even if we wanted it. But it is not so.

A remedy would be found at once if those who have money to spend would grasp and act on the very simple fact that, since the producing power of mankind is limited, every superfluous and useless article that they buy, every extravagance that they commit, prevents the production of the necessaries of life for those

who are at present in need of them. The man who cannot be comfortable without half a dozen motor-cars and pursues his own comfort by buying them, thereby takes bread out of the mouths of the hungry. Probably he is an entirely good-natured person who would not dream of harming anybody, and very likely imagines that he is doing something that is good for trade, and helping to give employment, by buying six motor-cars when one would be quite enough for him.

This grey-whiskered fallacy, which is cherished as a fact by a majority, probably, of the people who have much money to spend, is the cause of much of the tangle into which the business affairs of mankind have been twisted. The fallacy is all the more dangerous because it is only half a fallacy and contains just enough truth to be deceptive.

Since the output of goods and services at any moment is limited by the amount of labour, capital, and raw material that is to be had, and since we have seen that most goods and nearly all services are more or less quickly consumed, it follows that the divisible wealth

of the world is like a great heap, the size of which cannot be enlarged at will though the articles of which it is composed may vary. When we encourage the organizers of production to turn out motor-cars, part of the wealth heap will consist of motor-cars. If there had not been this demand for motor-cars or some other kind of luxury, the heap would have consisted less of luxuries and more of necessaries, which would therefore have been more plentiful and cheaper for those who need them.

In other words, every purchase of an article of luxury stiffens the price of articles of necessity, and makes the struggle of the poor still harder.

Let us test this contention by carrying the argument to its logical conclusion, and suppose that the whole of humanity were suddenly converted to the belief that luxury is an unpardonable sin, and treated this belief not merely as an article of faith, but as a practical rule of life. Let us suppose that everybody determined to eat plain and wholesome meals, just hearty enough to keep them in health and good spirits, to wear neat, well-cut clothes, stout enough to keep out wind and weather,

and to wear them as long as they are decent and tidy, to live in comfortable houses, one to each family, instead of over-furnished and over-upholstered barracks, and to be simple and tasteful rather than ostentatious and vulgar, in hospitality and the amusements of life. What would be the economic effect of this moral and æsthetic reformation ?

Its effect would be that all the cunning and untiring effort that is now thrown away on turning out tasteless vulgarities and extravagant superfluities and then forcing them on mankind by an elaborate and enormously costly system of advertising and circularizing and touting in all its forms, would be compelled to turn its attention to growing and making and forwarding and selling things that are really wanted and really useful. The great heap of the world's wealth would be as big as ever—even bigger as I hope presently to show—but a large part of it that now consists of tinsel toys and absurdities and worse, would have been replaced by good food, good clothes, good houses, and healthy amusements.

"And what good will have been done,"

comes the obvious retort, "if you have not in the meantime increased the buying power of the poor? There would be a glut of goods with no buyers." So there would. But in the first place, even if the actual money wages of the workers had not been raised, their buying power would have been increased by the cheapening of the necessaries of their lives, and they would have more to spend on things that are now beyond their reach, but are looked on as necessaries by those who have been trained in a more comfortable school. Even in the present state of the wealth-heap, a glut of unsaleable goods is sometimes to be seen, not because the goods are not wanted, but because those who want them cannot pay for them the price that the producer has to get if he is to make a profit. The producer's price depends largely on that of his raw material. Raw materials are dear in these days, because production is so busy with luxuries that the supply of raw material for real wants has not kept pace with demand. This is one of the evils that our supposed reformation would help to cure.

Moreover, this same reformation would have

wrought a great change that we have not yet considered. We have not yet decided what the well-to-do classes would do with all the money that they saved by treating luxury as an unpardonable sin and forswearing extravagance and ostentation. They could only do three things with it. They might hoard it and bury it, but there is no reason to suppose that they would do anything so stupid. They might give it away to their poorer neighbours. If they did so, they would be increasing the buying power of the poor, and our problem is solved. If they did it well and carefully and in the right spirit, no harm would be done, but it would be very dangerous, for bad giving is a cause of much evil, and in any case it would not be a good arrangement to have a large part of the population living on the charity of others. Not charity, but work at good wages is what is wanted, and would probably be forthcoming. For though the pleasure of giving away would be indulged in more freely, it is likely that most of the huge sum that would be saved, if we drove the sin of luxury out, would be invested.

I can see fastidious readers shudder when they find themselves faced by this sordid bathos. "After all this preamble," I hear them exclaim, "about the sin of luxury and a moral and æsthetic reformation, you bring us down with a bump on Thrift, that meanest and ugliest of all the so-called virtues, the first and last refuge of the craven and the dullard."

Now I fully admit that thrift, as an end in itself, is a very unattractive quality in the eyes of most people, and that it is, in fact, often found in partnership with other qualities that are still more justly despised. From thrift to meanness and from meanness to hypocrisy are short steps. It is safe to assume that Mr. Joseph Surface always kept his expenditure well within his income, while his spendthrift brother Charles was a model of generosity (with other people's money), and of all the other manly virtues. To save money, merely for the sake of saving, after one has made due provision for one's old age and for any dependants for whom one may be responsible, is a pastime that is open to question on

many grounds. But I submit that I have not put forward thrift as an end in itself, but only observed that it would be a by-product of the supposed reformation that has turned all mankind against luxury. A large sum of money that is now spent on the production and distribution of useless and often vulgar luxuries would thereby be saved and invested, either by those who saved it, or by their bankers, if they left it at their banks.

In other words, capital would be accumulated very much faster. Capital, and its rights and rewards, are a difficult question, which will be dealt with more fully in a later chapter. At present you must allow me to assert that capital can only be got by being saved, and that the lack of capital, in relation to the world-wide demand for it in these days of rapid development all over the globe, is one of the most serious problems with which the business world has lately had to struggle.

Profitable and useful enterprises in every country have to wait for lack of capital to put them in hand. To mention merely one or two examples at home, there was lately a

Royal Commission on the Canals and Waterways of Great Britain, which, after an exhaustive inquiry, recommended a scheme by which inland communication would have been greatly improved and cheapened, and some at least of the capital and skill sunk by our forefathers in canals would have been made reproductive again after being throttled and buried by the short-sighted jealousy of the railway companies. The Commission's report has been left to rot like the old canals largely because it would have cost too much to raise the capital, owing to its recent scarcity and dearness.

Again, consider all the schemes that have been put forward, with or without an official blessing, for improving communication in London, relieving its congested traffic, and actually saving the lives of hundreds of its citizens who are killed, merely because they try to cross the road at the wrong moment. Capital has been too scarce and dear for the problem to be tackled on a large scale. All over the country there are big things waiting to be done to equip this old land and help it to grow more stuff for us, and to bring the good stuff from

the grower to the user. With capital plentiful and cheap and the energy of the people put into the work, it might multiply its output manifold.

From all this it follows that if expenditure on luxuries were turned into accumulation of capital, and capital became plentiful and cheap, there are plenty of profitable uses to which it might, and would, be put. Whence it follows that another by-product of the mental reformation I have supposed would be a quickened demand for labour to carry out all this work that is crying out to be done. And so after a roundabout journey we have arrived at an answer to the very pertinent objection, that it would be no use to increase the supply of the necessaries of life if the buying power of the poor were not raised at the same time. The buying power of the poor would be raised, and so they would be able to take advantage of the greater supply of necessaries, because the better and cheaper supply of capital would enable many fruitful enterprises to be taken in hand, and so would increase the demand for labour, diminish unemployment, and raise wages.

It may fairly be urged that profits would be

lessened, because the profits made by supplying luxuries to the rich are probably greater than those to be got by providing necessaries for the poor. This may be so, though the huge profits made by Coats in supplying sewing cotton and by the cheap catering companies are an example to the contrary, showing that a big and regular turnover of a cheap article may, with good management, leave little to be desired in the matter of earnings. But even if it were so, it is safe to contend that profits would gain in stability what they lost in dimensions. Industry would be less hazardous. Profits might be smaller, but losses would be fewer, and the whole business would be on a more solid basis if the real wants of mankind, which are continuous and can always be counted on, were being supplied, than it is now, when much of the energy of manufacturers and traders goes into trying to forecast the whims and caprices of fashion, or into creating a demand, by advertising and other devices, for so-called goods that they have produced and are now determined to force down the public throat.

"But even if all this be true," I may be

told, "what will have happened to all the thousands of people who will certainly have been thrown out of work by your supposed reformation? What will be the fate of all those who had hitherto been busy making, handling, and selling luxuries, and would probably find it difficult to adapt themselves to other kinds of work? Why should they have to suffer because their public suddenly discovered that luxury was an evil?"

This would certainly be a valid objection, if it were possible that the change which I have supposed took place by some miracle all in a moment. But these miracles do not happen, and nobody wants them. In business matters violent change of any kind always brings damage and loss behind it. It is because business men know this that they are usually so cautious and conservative and slow to move. The most beneficent economic reforms have to be carried out by very short steps. If, for example, we could abolish the middleman to-morrow and get all our goods straight from the makers and growers, not only would all the middlemen—honest human beings, after

all, who earn a living in the manner that their fate has decreed—be thrown on the rates, but all those who had ministered to their wants would be mourning the loss of good customers, and it might take years to live down the consequent dislocation of trade.

In this matter of lessening the expenditure on luxuries, we need have no fear that anything will happen so hurriedly as to throw many people out of work. The notion is now so ingrained in the minds of the rich that it is their duty to spend their money freely, and the middle class is so sturdily convinced that an extravagant scale of living is a sign of prosperity and respectability and distinction, that we need cherish no such apprehension.

Before we need expect to see those who turn out luxnries coming on the parish, two things must happen. One is a radical change in taste, involving the death of the absurd belief that because a thing is dear, and our next-door neighbour has got it, it is therefore desirable. The other is the comprehension, by those who have superfluous money to spend, of the fact that by buying luxuries they are stiffening

the price of necessaries and so making the poor poorer. Need we fear that these two things will happen with any alarming celerity ?

If they could happen at all, the process would be so gradual, the leavening of the lump would be so slow, that no cataclysm could occur in the fortunes of those who provide dear and unnecessary fripperies. For even if a large number of people were convinced that the purchase of luxuries made necessaries dearer, many of them would probably comfort themselves with the belief that it would be useless for them to make any change in their mode of spending, because the volume of trade is so huge that the action of one individual would be lost like a drop in the ocean. The movement could only grow by here one and there another deciding that he or she, at least, would not be responsible for warping the true course of industry, which ought to be directed to supplying the bare needs of all before it turns out frills and furbelows for anybody.

And what of Malthus and his doctrine that mankind will always breed itself on to the verge of starvation ? Is not this law going

to upset all the effects of any such reform even if it could be set to work? There is no need to be afraid of Malthus, for as he himself saw, the working of his law can be modified or even stopped by opposing influences. It is not true that mankind necessarily breeds up to the margin of subsistence. The richer and more civilized a nation becomes, the slower is its rate of breeding, especially among the comfortable classes. This is so generally true that if the poorer classes were made more comfortable, so that their prudence and self-respect had more chance of exerting their influence, it is much more likely that we should have to encourage them to multiply, than that we should find them bringing into the world more mouths than could be fed.

Yet another objection may be foreseen and, I think, answered. It may be contended that if mankind were to give up luxury and extravagance, and buy only what it needed for a pleasant and wholesome and happy life, the incentive to amass wealth would be lessened, and that therefore the wheels of industry would go round more slowly, because there would be fewer eager spirits to keep them spinning for

the sake of the profits that they hope to gain. I think this objection is based on a complete misunderstanding of the real reasons which make men work.

People do not work for wealth in order that they may spend it on palatial mansions in which they are very uncomfortable, profuse and vulgar entertainments which probably disgust the successful worker and make him despise those who accept his hospitality, acres of sporting rights which they only visit for two or three days in the year, and other forms of luxury, the absurdity and futility and wastefulness of which are rather clearer to a man of business than to any one else. I am not sure that many of us work for wealth at all, but on that point more anon. Those who do, if any, would not think of throwing their wealth about in the stupid manner now prevalent, if they were not encouraged to do so by the belief that only thus can they win their way to distinction and a place in what is called Society. If the cultured classes—or the classes which ought to be cultured—took to heart the fact that expenditure on luxuries makes the poor poorer, and set

a different standard before themselves and those who want to win a way into their ranks, the desire to work, and to grow rich, would remain as strong as ever.

For most men work because they want to work. "Every man," says Addison's *Spectator*, "has such an active principle in him that he will find out something to employ himself upon in whatever place or state of life he is posted." * A really idle wastrel can always live on somebody. But a healthy-minded man wants to get something done, to express himself somehow, and to be able to feel when he is laid on the shelf that he has done his share of work in the world. Even when he has done so he often cannot bear to be idle. It is pathetic to see men who have come home pensioned off in early middle age, after spending the best years of their lives in dealing out order and justice in India or some other exhausting tropical climate, instead of settling down peacefully and growing roses and reading books and taking their well-earned leisure, moving heaven and earth to

* No. 15. "Sir Roger de Coverley Harehunting." The essay was written by Budgell.

get a post as secretary to a golf club; or as director of a company.

Many men hope to go on working in the next world; witness the well-known story of the dying engine-cleaner, who, after listening to a description of the joys of Paradise from the clergyman who was cheering his last moments, murmured the hope that Almighty God would let him have an engine and a bit of oily rag.

This desire for work, as an end in itself, is especially strong in the great organizers of industry, on whose energy and enterprise the speed and success of production depends. They are usually men of most simple tastes, who spend on themselves a minute fraction of their wealth.

That men do not work for wealth is also shown by the action of those very few who have any choice in the matter of the work that they do. They seldom choose a profession or occupation because its rewards are fat. The intellectual flower of the Universities—the men whose degree and record put the world at their feet—show what they think of wealth as an incentive to work by almost always going into some line

of life in which the monetary prizes are few and hard to reach. They become schoolmasters, civil servants, journalists, barristers, dons, doctors, parsons, politicians. They know quite well that thereby they are not likely to earn as much as the men who go into business, but this fact does not weigh with them for a moment. They deliberately leave the more profitable fields to those whom they have beaten in the intellectual lists. The ranks of the commercial world are recruited chiefly by men who have either not been to a University at all, or have not achieved distinction in the Schools.

At the same time it is true that when men work they want to get as much reward as possible for the work that they do. A man may choose to earn a pittance as a writer rather than draw thousands a year from the family business like his less gifted brother. But being a writer he likes to sell his stuff well, and be sought after by editors and publishers, because thereby he is able to lay the flattering unction to his soul of thinking that he has succeeded and has done good work. This is the truth that is behind Lord Melbourne's well-known saying

that "Politicians are not venal, but they are d——d vain." Politicians, like the rest of us, do not want mere money, but distinction and the feeling of having achieved something. This rather praiseworthy craving Melbourne's cynical humour twisted into vanity. Trollope's analysis of Archdeacon Grantly's feelings is another apt example. "Our Archdeacon," he says, "was worldly—who among us is not so? He was ambitious—who among us is ashamed to own that 'last infirmity of noble minds'? He was avaricious, my readers will say. No—it was for no love of lucre that he wished to be bishop of Barchester. . . . He would be a richer man as archdeacon than he could be as bishop. But he certainly did desire to play first fiddle; he did desire to sit in full lawn sleeves among the peers of the realm; and he did desire, if the truth must out, to be called 'My Lord' by his reverend brethren."

A few lofty souls can rely on the approval of their own judgment and can follow their art or craft for its own sake, but the ordinary man wants to know that he is turning out what other people want and like and admire, and

the payment that he gets is the rough-and-ready, but very practical, test of his achievement.

It is only in this sense that most men work for wealth. They work for success and distinction, and wealth is the badge and sign manual thereof. This is especially true of success in industry and business. A writer or a teacher or a preacher may win distinction and success by a limited appeal to a small circle, without ever earning the applause that is expressed in a bank balance. The business man is judged by sheer weight of metal—if he works for his own hand by the fortune that he makes, if he is the servant of a company, by the dividends that he earns for his shareholders.

Since these things are so—since most men work because they want to, and work for success, not in order to be able to indulge in absurd extravagances which most men of business despise—we need have no fear that a change in sentiment about spending would blunt the edge of the spur to work, and so check the speed of industrial progress.

If the classes which set the fashion in these

things would recognize that the extravagance which they thought was good for trade was really making it harder for the poor to get the necessaries of life, men who had grown rich in industry would still find plenty of ways for gaining the distinction that is their very natural ambition by spending their money in some astonishing fashion that would arrest the gaze of their fellows. The only change would be that the objects of their expenditure would, from the sheer force of circumstances, be something useful and sensible, or, at least, something that was meant to be useful and sensible. Plenty of mistakes would still be made, but the object aimed at would be something better than the "freak banquets," and the other economic atrocities and outrages against good taste, by which too many rich men at present think it necessary to call attention to their success.

CHAPTER III

THE CLAIMS OF CAPITAL

In the last chapter it was asserted that lack of capital stands in the way of many profitable and useful enterprises that are waiting to be taken in hand, and that if people saved more there would be more capital to be had. As capital is rather a difficult matter, it is better to make this clear before we go any further.

Capital is defined by economists as wealth set aside to be used in production. A certain amount of it is necessary before any industry can begin its work; because industry implies making or growing something, and, during the process of making or growing, those who are at work have to be kept alive out of a store that has been set aside beforehand to that end. Professor Walker's well-known example is that of a member of a savage tribe, living precariously on fish "caught from the

rocks which jut into the sea," who lays up a store of dried fish, and keeping himself alive thereon, makes himself a canoe, and thereafter can "paddle in it out to the 'banks' which lie two or three miles from shore, where in one day he can get as many fish as he could catch from off the rocks in a week." *

His store of dried fish was his capital, which he reserved from consumption and kept to live on while making his canoe. Having done so, he has put his capital into a canoe and can let it out to his neighbours, taking payment from them in the form of part of their catch, on which he can live, while he himself builds more canoes and sells them in exchange for the labour of the rest of the tribe. The point at which he left off being a mere hand-to-mouth worker and consumer and became a capitalist, was when, instead of eating all the fish that he caught, he saved some and dried them so that he might be kept alive while he carried out his canoe-building venture. "At every step of its progress," says Walker again, "capital follows one law. It arises solely out of saving."

* "Political Economy," Part II., chap. iii.

The usual line of thought of most people who have not been specially trained in these obscurities, regards capital as money. They think of a capitalist as a man who has a very big balance at his bank and "any amount of money to spend." But an accumulation of goods, like our savage friend's store of dried fish, is what is really required. If there were no store of goods the owner of money could make little or no use of it: he could only buy enough to feed himself and his family as food was gathered off the trees or caught by huntsmen and fishermen. He could not set an industrial army to work because there would be no store to feed it with, no tools for it to work with, and no materials for it to work on.

On the other hand, if a Socialist Government were to abolish money and distribute to its citizens food and other comforts according to what it thought to be their needs and deserts, industry could go ahead merrily enough as long as there was a store of accumulated goods, so that the industrial army could be kept alive until the work on which it was busy had turned out the necessary product. The capitalist could

not be abolished because without him industry would die. But instead of being an individual he would be the Government, which would have assumed the command over the necessary store of goods, which is now held by those who have money to spend.

As things are at present arranged, the capitalist does not save fish or other goods, but money, which gives him the power to buy any goods that he may need for industrial purposes, or to transfer this power to any industry to which he may lend his money. He is really doing just the same thing as the savage who saved his fish. Instead of spending his money on pleasure and luxury (which would be the equivalent of eating his fish) he keeps it to provide food and other equipment for industry. The money that he saves he invests, that is, lends it out to a firm or a company or municipality or Government that is starting or expanding a business or industry, or building railways or roads or tramways or ships, or doing the hundreds of other things for which capital is required.

This constant saving of money makes the

accumulation of goods that is necessary to industry possible. If no one saved industry would wither and cease. If everybody lived up to his income, only articles of daily consumption would be produced. No one could build a merchant ship or lay a mile of railway, because there would be no spare money to buy the iron and steel for it.

When once we have seen that industry cannot be carried on unless thrifty people save and invest money, we can also see the fallacy of the common belief, referred to in Chapter II, that spending money on luxuries is good for trade. Money spent on luxuries has gone into something that will not increase production. Money invested in production will increase production. If we spent £10,000 on a tremendous display of fireworks, makers of fireworks would be benefited and a glorious blaze of rockets would flare for a few minutes. If we spent it on improving and extending a boot factory, not only would those who worked on the improvement and extension of the factory be benefited to the same extent as the makers of fireworks, but instead of a

momentary blaze there would be the improved and extended factory hard at work turning out more boots, paying more wages, earning more profits, and providing new capital for its own replacement when it is worn out.

Sometimes spending money on luxuries actually destroys industry, as when a great magnate lately made himself a deer park in Surrey and included in it a large piece of land that had hitherto been tilled, and is now made into a beautiful waste for the benefit of him and his deer.

It was necessary to lay this stress on the importance of saving, because the tendency of to-day is rather to regard the capitalist as a well-dressed burglar who exploits the rest of society and fattens on its sweat, extorting from it a share of its good things to which he has no claim in economy or justice. In fact, he is a quite ordinary human being who, like the rest of us, makes the best bargain that he can with the article that he has to sell. This article is the capital that he has saved. Industry cannot set to work without it, and so has to pay for the use of it, and would have to do so,

in one form or another, under whatever system industry were organised. For saving would always have to be done by somebody, even if it were a Socialist Government. In that case, it may be said, the whole community would be the capitalist and would get his reward. So it would, but it would also have to earn it, as he has, by making an effort of abstinence, and keeping back part of its wealth for production, instead of consuming it as fast as it was turned out. Moreover, under such a system there would have to be special officers to see to this business of accumulating and applying capital, and they would have to be fed and supported out of the work of the rest of the community.

"That is all very true," I may be told, "in the case of a capitalist who has saved his own capital, but the bitterness against capital is surely justified when it is inherited, when the owner of it is a mere 'tenth transmitter of a foolish face' and a big fortune, acquired, perhaps, by a very remote ancestor who was an active and successful slave dealer. Or, apart from any question of the origin of the fortune, how can there be any sense in an arrangement

which allows a man, because his great-grandfather made a large fortune, to idle through life and take toll of the toil of the rest of mankind?"

There is a great deal of sound reason in this argument, and it must at least be admitted that the owner of inherited wealth above all men is bound to be extremely careful of the use that he makes of it, and to see that he does not, by buying the wrong things, warp the true course of industry and make the lot of the poor harder. For he owes everything to the care that his fellow-creatures take of him. He may think that he owes it all to his great-grandfather, but herein he errs. In a savage state of society no one could inherit property and keep it unless he either could defend it with his own manly prowess, or spend a large part of it in hiring sturdy fellows to defend it for him —and in the end they would probably decide that it was better to keep it for themselves. Now he gets it without having to pay a penny except to lawyers and tax-gatherers, and without having to stir a finger of his own or anybody else's to defend it against attack. Society does everything for him and asks nothing in

return for taking care of him and his property except a certain sum in taxation, the payment of which does not make the smallest difference to his personal comfort.

This one-sided bargain can only be justified by the plea that we must have capital for industry, and that we could not be sure, as things are, that capital would be saved unless those who saved it had the right to leave it to their families or anybody else whom they wished to enrich; also that the owner of hereditary wealth is necessary, because it would require a revolution involving economic chaos to do away with him, and economic chaos is easier to let loose than to chain up again. We are certainly entitled to demand of him that he should see the facts of his own case clearly and should ask himself, "What have I done that I should enjoy these advantages and be raised above the strain and struggle for life that is the lot of commonplace mankind? Am I using these advantages in such a way as to make the poor still poorer? And if so, is it a man's act, or a self-indulgent waster's?"

When the case has thus been decided against

the owner of inherited wealth, and he has been cautioned as a suspicious character, let us then go on to recognize that we are nearly all of us owners, if not of inherited wealth, at least of inherited earning power, that we all of us owe any comforts that we enjoy to the security given to us by the society in which we live, and that the caution given to the owner of inherited capital applies to nearly all of us, with some variations of degree.

All of us who have been provided by our parents with good food and warm clothes in our childhood, and with a moderate outfit of brains, and what is called a decent education, and have then been given a start in life from which we have gone on, as it were, mechanically and by the exercise of most commonplace and chiefly negative virtues, along the path of more or less moderate prosperity, have no cause to flatter ourselves that we have carved out a career for ourselves without any help from our forbears.

If we had happened to be born in a stable loft instead of in the first-floor front of a respectable suburban mansion, our walk through life

would have been a very different story. And the same reflection may be made with equal truth by the man who has been born in the stable loft and risen through the ranks of stable boy and groom to the proud post of chauffeur. If he had been born under a haystack his lot also would have been different, and he has cause to thank his ancestors for much of his present eminence. Naked in body we come into the world, but already endowed with germs of mind and character which are our inherited earning power. Some men of science tell us nowadays that heredity is much less important than environment, and that what makes a man a man is the influence of the surroundings of his youth. But these surroundings are just what are provided for us by our parents, who have had them provided by theirs.

Even in the case of those who seem to have done everything for themselves, having been born under a haystack and then risen by sheer enterprise and endurance to be captains of industry or Archbishops, do not they owe a big debt to something that was in them at the outset, to say nothing of luck that helped them

over formidable stiles? Some queer kink in one of the myriads of cells that went to the making of them, a throw-back to some peculiarly dogged savage in their remote ancestry—something has been given to them which was in fact a long start in the race of life, a much longer one than that which is presented to the owner of hereditary wealth. For it gave them a set of teeth that could grip instead of putting a silver spoon in their mouths.

Further, there is this to be remembered by those who, because they have risen to the enjoyment of big incomes in return for work that they do, flatter themselves that they have earned their claim to a large share of the world's goods, and can spend their money as best pleases them. Big incomes are not always earned by the best work, and are, in fact, largely a matter of hazard. There is little or no logical relation between the work that a man does and the pay that he gets. "No conceivable law of political economy accounts for the fact that the labourers of Devonshire receive 17*s.* 9*d.* a week, and those of Oxfordshire 14*s.* 11*d.*, all included. The whole wage system in vast areas

of rural England . . . is largely determined by mere usage and local precedents." * Usage and precedent are also important elements in the wages and salaries paid to many besides country labourers. What is in some ways the most important work in the world is done for no return whatever in the shape of direct salary or wages paid for it. The work of seeing that we are wholesomely fed and that our houses are properly cleaned and kept comfortable and pleasant is done by our womenkind for nothing. It may be said that in return we support our wives or sisters or whoever it may be that does this invaluable work for us. So we do sometimes, but by no means always. It is also true that they usually control the household expenditure, but that does not mean that they are given definite pay for their work. The true economic facts of the matter are well expressed by the story of the thrifty Scotch widower who married his housekeeper to save her wages.

"Merit," says Mr. Dibblee, in his "Laws of Supply and Demand," "is a subordinate consideration in fixing the scale of rewards for

* "Problems of Village Life," by E. N. Bennett, p. 160.

services, although very few successful men would like to think so." The amount of men's wages and salaries in many cases seems to vary in an inverse ratio with the work that they do. Who is there that knows anything of business who cannot call to mind examples of a figurehead earning the salary while a poorly paid assistant does the work? There is a very great element of gamble in the manner in which our incomes are arranged. If a well-paid post is empty, those who have to see to the choosing of its holder very often do not advertise or in any way publish the fact, simply because they know that if they did so they would be swamped by a flood of applications, which would have to be considered on their merits. Hence they usually find, or think they find, the man they want by means of private inquiries. That is, if they or any of their friends know of some one that is likely to be able to do the work, this lucky individual gets the post, and so everybody is saved a great deal of trouble. But this hole-and-corner way of doing things makes success in life very largely a matter of luck.

This digression goes to prove that when we

decided that the owner of inherited capital ought to search his breast and ask why he should be so spoilt by fortune, and whether the use that he makes of his advantages is fair to the community that supports him, we were merely laying down a rule which applies to practically every one who has or earns more money than the very poorest. For we all, except them, owe much to hereditary gifts ; most of us have to thank our stars for many a kindly lift from luck, and we all live, more or less, on the community, since if we were cast on a desert island by ourselves it would take us a long time and a great deal of labour before we could provide ourselves with half the comforts that we now enjoy as a reward of very moderate effort.

To return to the capitalist and Walker's example of the fishing savage who saved up food and lived on it while he built a canoe. By so doing the fisher was several other things besides a capitalist. He was an adventurer or risk-taker, and an organizer and manager. He thought out and planned the whole scheme and risked all the labour involved in catching more fish than he wanted to eat and drying them and

in building his canoe and dragging it down to the sea. His risks were manifold. He was in danger of being devoured by wild beasts while in the forest building his canoe. His canoe might easily have been fatally damaged on its rough journey, and when it had been brought to the sea it might not have floated.

All these additional functions that the fisherman-inventor was performing are really quite separate from capital, and have to be paid for separately. This fact is often ignored by people who talk about the conflict between capital and labour as if these two were the only claimants to any share in the profits of an enterprise. They often argue that the claim of capital to all the profit, after labour has been paid a wage for its toil, is an exorbitant demand.

Now, the pittance that is paid to labour is an economic evil which cries aloud for a remedy, but we shall not find a remedy by mixing things together that are really quite separate and then proposing to reward only one of them. The reward of the manager or organizer has to be provided apart from the interest on capital. Moreover, the capitalist,

as such, is a mere moneylender or investor. As such he is entitled to a rate of interest on his money, since we have seen that if there were no one who saved and lent money industry would perish. As soon as the investor is asked to take risks and become more or less a speculator, he is entitled to an addition to this rate. In other words, the more the element of risk comes into an investment, the more the rate of interest on safely invested capital has to be increased by what is really an inducement to take a risk.

For example, the present * price of Consols, the holder of which is as certain of his interest as any one can be certain of anything in this world, is such that a buyer of them at the current quotation gets $3\frac{3}{8}$ per cent. on his money. The present price of Midland Railway Deferred Stock, the holder of which has to run the risks of trade fluctuations, labour troubles and all the other ills that railway shareholders are heir to, is such that a buyer of it gets $5\frac{7}{8}$ per cent. on his money. The additional $2\frac{1}{2}$ per cent. is the inducement to the more speculative

* March 20, 1914.

investor to run these risks. This truism ought not to need repeating. But a pamphlet about the Coal Trade, one of the authors of which was a chartered accountant, lately assumed 3 per cent. as the fair rate of interest on capital invested in the highly speculative business of digging coal out of the earth. When one can get more than 3 per cent. from Consols, no one but a madman would put money underground, with the chance of never seeing it again, unless he thereby expected to earn at least twice as much as he could get from an investment in Consols.

Since an element of risk is more or less present in nearly all the forms in which investments are made, especially in industrial ventures, the double payment that has to be made to the capitalist, not only for lending his money, but for risking the possibility of not getting it back again, is an item that always has to be provided for, and would have to be, under whatever system enterprise were organized. A Socialistic Government, if some new form of enterprise for the common good were put before it, would be bound to hesitate unless it could

be convinced that the new experiment was likely to be successful. In other words, it would have to be tempted by a strong chance of success before it would risk the community's capital and industry. At present an investor with a new process or an adventurer with a scheme of wonderful promise, can appeal to the speculative instinct of the capitalist and induce him to risk his money by the hope of big gains. Under a communistic Government the inventor or adventurer could only get his idea set to work by the much more difficult process of convincing officials, who would almost certainly be, after the manner of their kind, very deaf to his arguments. They would know that if they set the community to work on a task that brought it no return the community would laugh at them, abuse them, and otherwise vent its displeasure on them. The obstacles in the face of a new enterprise would, in fact, be probably even greater under such a system than they are now.

Some one, then, has to take a risk, and has to be paid for so doing, whenever human industry tucks up its sleeves to work. There is always the

chance, when it is a matter of turning out raw material by agriculture or mining, that the seasons may be unkind or that some unexpected fault may set the engineer's calculations at naught. When a finished product is the business in hand there is the chance that a change in the weather, or a change in fashion, or a change in the whim of the consumer, may leave the stuff on the hands of its makers.

Anything that can be done to lessen these risks is a gain to industry. The natural risks that have to be faced in farming and mining can only be dealt with by the progress of science and the accumulation of knowledge and experience. The economic risk, on the other hand, which is really a human risk—the chance that the stuff which is made may not be wanted,—can be lessened very much if industry could give more of its attention to articles of real necessity and less to luxuries that can easily be dispensed with, and if at the same time the power to buy articles of real necessity could be got into the hands of those who at present have to do without them.

It is difficult to draw a line between luxuries

and necessaries, because the difference is often not one of kind but of number. In this climate boots are a necessity. But when one has more than three or four pairs, the quantity begins to imply luxury. If there were less demand for costly boots by people who keep more than they can use, and may suddenly change their minds about the shape of their toes, or the advantages of buttons over laces, the attention of the bootmaking industry would be turned towards a greater output of cheap boots for classes which are less susceptible to the whims of fashion.

There is evidently a screw loose somewhere in an economic machine the result of whose working is, that there can be a glut of boots in one street, while in the next there are folk walking about on wet pavements with ghosts of old boots and shoes on their feet. It is bad for the bootmaker, bad for those who want boots and cannot buy them, and bad for the community which has finally to pay for the economic inefficiency of some of its members, due to chronically damp feet and all the ills that arise therefrom.

Hence it follows that if the reform set forth in our second chapter could be brought about, and the two simultaneous consequences of it set to work, namely the diversion of industry from luxuries to necessities, and the increase in the amount of available capital and so in the demand for labour, the risk of industry would be very greatly lessened. Because the man who was making boots would be sure of a market as long as there were people who needed them and could afford to pay for them. The more the buying power of the poor could be increased, the greater would be the stability of industry and the less would be the rate that would have to be paid to capital for risking itself as well as lending itself.

Nevertheless, there still remains a very big difficulty which has to be faced before capital can be made really comfortable and can be persuaded to place itself on terms which pay it only for its use and not for the risk that it may be lost. It is not enough to lessen, or even abolish, the risks which are at present due to the speculative nature of industry which provides luxuries for fanciful folk who may

or may not want them. There is also the terrible risk, that is always in the mind of the capitalist, of loss owing to strikes and other dislocations of industry caused by labour disputes. It is not enough to increase the supply of capital by the reduction of expenditure on luxuries if capital is afraid to embark in enterprise owing to strained relations with labour. This formidable problem properly comes under another heading, being concerned rather with the relations between employers and their workmen, and so may be reserved for another chapter.

In this one it is enough to have shown that capital is a first necessity of industry and has to be paid for as such: that not only its use has to be paid for, but also the risk of its loss, which can be lessened by the concentration of industry on articles of necessity which are clearly more certain of a market than luxuries; and that a greater abundance of capital, by quickening industry, would tend to lessen the risk of labour disturbance by increasing the demand for labour, and so improving its reward. Further, that if we are right in contending that

the concentration of industry on articles of necessity would help to cheapen them, this would be a further advantage to the working classes and help them to win that improvement in their lot to which they are by general consent entitled. If all this be granted we can at least claim to have shown a way by which every individual can do something to solve the big problem of doing away with poverty, by lessening expenditure on luxuries and adding to the stock of available capital.

In this matter of capital the individual seems to be the only possible saviour of the situation, because Governments all over the world are doing their best to seize as much wealth as they can and consume it as fast as possible. Enormous expenditure on objects good and bad is everywhere the order of the day. Chancellors of the Exchequer or Finance Ministers, or whatever they may be called, pat themselves on their right honourable backs because they spend these huge sums out of revenue as they call it, that is to say because they do not borrow the money and leave posterity to pay the bill, but make their fellow

citizens pay, here and now. Certainly it is better to pay our way as we go, but we must not forget that our huge rate of national expenditure makes it very difficult for the necessary accumulation of capital for industry to be maintained, because it makes it hard for the thriftiest of us to save.

Scarcity and dearness of capital are a commonplace complaint whenever men of business are gathered together. At a meeting of the Union of London and Smiths Bank last July, Sir Felix Schuster said that "owing to the continuous growth of trade and of new countries, the demands for capital had been on an enormous scale. Until the end of the half-year these fresh issues of capital were comparatively well taken up by the public, but then it became manifest that the supply exceeded the demand, and the Stock Exchanges were no longer able to absorb the multitude of new issues that were being offered." * This inability of investors to meet the demands on their power to absorb new issues of securities has been a frequently recurring symptom in recent years. The price

* Reported in the *Times* of July 24, 1913.

of capital, or the rate of interest that investors have been able to obtain, has risen gradually and steadily from 1896 until the end of last year. In 1896 London and North Western 4 per cent. Preference Stock touched 162½, at which price it returned less than 2½ per cent. to the buyer. In 1913 the same security was dealt in at 97⅝, yielding the buyer more than 4 per cent.

It is true that 1896 was an exceptional year, in which there was, or seemed to be, a glut of capital such as had never been seen before. This, I believe, only happened because, owing to the shock to confidence following the crises of 1890 and 1893, there was a long pause in the development of new countries, and for a time accumulation went ahead of development. It may be that, owing to the shock to confidence due to Mexico's default and mistrust of the financial position of certain South American states, a similar pause in the development of new countries may take place now and that there may for a time be an apparent glut of capital. But it seems hardly likely, when we consider the enormous demands of the civilized and

uncivilized world for capital, that the seeming glut can last long, and, if it does, it will only do so because capital cannot be had at any price by borrowers whose credit is impaired, not because it is not wanted. The normal condition of the financial world is now one in which capital is scarce and dear.

Four chief causes of this scarcity and dearness of capital stand out. One is its wholesale destruction by wars. The second is the opening up of the uttermost parts of the earth to cultivation and development by improved means of communication, which increases the world-wide demand for capital to be put into production, which takes some years to bear fruit on a great scale. The third is the huge expenditure of the nations, especially on armaments and preparations for war. The high taxation that is now exacted by our rulers has little or no effect on the personal comfort of the wealthier classes, but it very seriously curtails their saving power. The fourth is the high level of personal expenditure and extravagance that modern fashion prescribes. The sums that many women now spend on

adorning themselves are acknowledged by most sensible women to be criminal. Entertainment is on a scale that smothers hospitality under a tawdry show of ostentation. And this ostentation—perhaps owing to the efforts of a Press that gives much of its space to telling the suburbs what the leaders of society are doing—has spread itself all the way down the various strata of the middle class, which used to distinguish the comforts of life from its fripperies with some success. There is no need to preach sermons about this outburst of spendthrift enthusiasm and argue that the moral fibre of society is weakened. It merely arises from a very natural desire to enjoy some diversion in a world of strenuous energy. But those who fall a prey to it forget, to their own discomfort, that diversion can be had without vulgar extravagance, and also forget, to the detriment of their poorer neighbours, that expenditure on luxuries makes the struggle of the poor more difficult.

CHAPTER IV

THE EMPLOYER'S DILEMMA

We saw that the fishing savage who became a capitalist thereupon also became an employer, since he sold the canoes that he built in return for the labour of his neighbours. This union of the capitalist and the employer in one person was for many centuries usual. In these days it is more and more usual for industry to be carried on under the joint-stock system, that is to say, by companies composed of a more or less large body of shareholders, managed on their behalf by salaried officials, under the supervision of a committee of the shareholders who are called the Board of Directors. The Board is supposed to be elected by the shareholders, but in fact it almost always elects itself. If a member of it dies or resigns his successor is chosen by the Board, subject to the purely formal

confirmation of the shareholders. Members of the Board retire periodically by rotation, but their re-election is, as a rule, a mere ceremony that is gone through without question. The real management of most successful businesses is usually in the hands of the salaried officials, headed by the general manager—who is sometimes also a director, and called the managing director—though the Chairman of the Board and one or two of its more energetic and capable members sometimes take an active part in the conduct of the industry.

This comparatively modern development, by which industry is worked by officials on behalf of a body of shareholders, is of some importance in its relation to the great problem of the improvement of the reward of labour. When the employer put his own capital into a business and managed it himself for his own profit, the promptings of humanity and of good-fellowship between himself and his hands might allow him to be generous in the matter of wages, and often did so. He had a perfect right, if he pleased, to share some of his profits in good treatment of those who helped him to earn it with their labour.

The officials of a company, on the other hand, being servants of the shareholders whose money is put into their hands for profitable employment, are bound to consider the interests of the shareholders and to earn profits for them as fast as they can. If they pay higher wages than are necessary for getting the work done, they are being generous at the expense of the shareholders on whose behalf they are working. The consequence is that those who work for the comparatively few surviving private firms are usually said to be better paid and treated than those who work for big public companies.

Striking examples to the contrary, such as the treatment of their workmen by Messrs. Lever, are not, when examined, examples to the contrary at all, for though Lever Brothers, Limited, is apparently a joint-stock company, it is only so in form, since the ordinary capital has never been offered for public subscription. The public shareholders only hold preference shares entitled to a fixed rate of dividend. When that has been paid the surplus profit belongs to the founders of the business who have themselves supplied the ordinary capital, and

so have been fully entitled to make any use of it that they pleased in the interest of the workers. Profit-sharing schemes, under which the workmen are encouraged to invest in the stock or shares of the company, have been successfully worked by public joint stock companies, notably by the South Metropolitan Gas Company. But these have been few and far between, and the experiment has shown little sign of making headway against the great obstacles that stand in its way.

This difficulty that haunts the joint stock company's manager—arising from the fact that it is his first business to make profits for the shareholders for whom he works and by whom he is paid—is accompanied by yet another that besets all employers as such, arising from the necessity that if they are to make their businesses pay, they must turn out their product, whatever it may be, as cheaply as they can. If they do not do so they are likely to be swamped by the flood of competition and go under, and then the last state of those who work for them is worse than the first.

It is easy to say airily that it were better

that those industries that can only survive by underpaying their workers should be cast out upon the scrap heap; but the retort is equally easy, and perhaps equally unsatisfactory, that underpay is better than no pay.

Further, even if some scheme could be devised and made universal by which every employer or joint-stock company, after a certain rate of profit or dividend had been earned, would promise to divide any surplus profit between the employer or shareholders on the one hand and the workers on the other would industrial peace and contentment be secured?

In the first place, the profit could only be earned after a certain wage had been paid to the workers, and the amount of this wage would inevitably remain a matter for lively dispute. In the second, there would be equally wide openings for difference of opinion about the ratio in which the surplus profit if any should be divided between workers and shareholders. And finally, it would seem very unfair that the wages of the workers, or at least their share of surplus profit, should depend very largely on

conditions with which they had nothing to do. However capable and efficient a worker might be, he might find himself earning very much less than his brother, who was working in a rival factory in the next street, because the management under which his brother happened to work was more economical and enterprising, had its machinery in better condition and its whole organization better equipped. A state of things might thus arise which would be very bad for the peaceful working of industry.

For success in an industry in these days depends much more on good management and good organization and skill in the purchase of raw material and judgment in the sale of the finished product than on the efficiency of the workers, important though this still is. This is a fact that is often forgotten by those who are somewhat hasty in their claims on behalf of labour. It does not help the cause of labour to tell it that it ought to have more than there is for it, and to assume that because a certain number of men have worked for a given number of hours on a certain task, therefore

the finished product must be worth so many pounds, and therefore labour is entitled to that amount, less interest on capital.

The world would be a much easier and pleasanter place to live in if these things were true, but they are quite untrue. It is not enough to work on a thing to give it value. You have to work on it in such a way that when it is made somebody will want it and pay enough for it to cover the cost of making it, and something over. Workmanship and design may be as good as can be, but if the product is not wanted it will be a failure. The men who wrought on the *Great Eastern*, "Brunel's great audacity," as she was called, were quite as good men and skilful, in their day, as those who built the *Mauretania*. But if they had depended for their wages on the truth of the theory that work alone makes value, and that because so much work had been put into the *Great Eastern*, therefore she was worth so many pounds, they would have starved. She "stood out unapproached as a wonder and pattern of naval construction, and furnished in great measure the experience on which later designers and constructors have

based their productions." * Her only fault was that she was ahead of her age, but that was enough to make her, commercially, a lamentable failure. Management had made a mistake and the result was a product that was worthless, though the actual labour put into it may have been of the very best.

Such being the importance of management, it is natural enough that those employers who do their own management should consider that they are thereby entitled to any surplus profit that is over after they have paid their workmen what is called a market rate of wages; and that public companies should vie with one another in the high salaries that they pay to their managers and managing staff, while the claims of the hand-workers are listened to with much less enthusiasm. For if a good manager is lost it is very hard to replace him, but the difference between one workman and another is of much less moment to the company for which he toils.

Moreover, a shareholder in a company that is called upon to pay its workmen more than is

* D. Pollock, "The Shipbuilding Industry," p. 49.

necessary to attract them to come and work, is entitled to ask why he should consent to such a policy, and to point out that the workman is in the privileged position of being paid for his work before a penny is paid in the way of interest or dividend on the capital sunk in the business. Even if the enterprise is carried on at a loss the workmen will be paid none the less, while the shareholders who have risked their savings in it have to watch their capital being consumed to no purpose, and probably throw good money after bad in the effort to bring the carcase back to life.

This argument is quite logical and reasonable, and, moreover, the workers are not asking for generosity, which is only another form of charity. The market rate is all that they want, but they are determined to do all that they can to make that market rate higher. In order to see whether they can do so effectively, we have first to see clearly the point of view of the employer and of the people on whose behalf he is working. And we have also to take care not to be misled by some of the fallacies that are uttered, in the best of good faith, by folk

whose enthusiasm in the cause of labour leads them into misconceptions. Such as the contention that because employers are very careful to maintain the efficiency of their plant and machinery, they are bound to be equally earnest about the health and general well-being of their human workers, who, being human, have clearly more claim on them than driving wheels and steam hammers. This is a very attractive argument at first sight, but it forgets that the machinery is the property of the company, whereas the workman can move his labour to some better opening whenever it pleases him; also the still more important fact, from the worker's point of view, that this argument is a two-edged weapon that wounds the hand that wields it; for in these days of rapid improvement machinery is often treated in a most unceremonious fashion, and is thrown out on to the scrap heap at the moment of its highest efficiency, when it still has years of good work before it, merely because some more ingenious and economical rival has been found.

Nevertheless, when all this is admitted and the fullest acknowledgment has been made of

the logical strength of the employer's position when he tries to get his work done as cheaply as he can, there remains the uncomfortable feeling that logic does not always tell us everything. The employer may be right, when he says that he offers a certain wage and finds hundreds of men and women to work for him, and that this is to him a good enough proof that this wage is a fair one. But this argument is based on the assumption that the workers who take a low wage have any choice in the matter, and this we know to be often untrue. He is on safer ground when he contends that if he were compelled to pay more he could only afford to keep his most efficient workers, and so many would be thrown out of work; and that at a point he would have to shut up his business altogether, unless, on the other hand, he were able to raise the price of his product and so make the struggle of the poor still harder by the rise in prices, if his product is one of the things that they buy.

Here we have to admit that logic is on his side, but we remain with the conviction that somehow the flank of the problem has to be

turned. If the employer cannot afford to raise wages, somebody else must help him to do so. It was a shock to public opinion when it lately learnt, on the authority of a Board of Trade inquiry, that in 1907 "for the United Kingdom, as a whole, the weekly rate of wages (exclusive of bonus if any) of over one-fourth of the adult workmen [of the railway companies] fell below 20*s*., and those of nearly two-thirds below 25*s*., while rather less than a fifth were rated at 30*s*. or more." *

The employer's position was in this case a remarkably strong one. The profit earned by the railways on the total capital invested in them is meagre enough, when allowance is made for the risks of the industry that they conduct. Their public was ever clamouring for more trains, cheaper tickets, and lower rates for goods, and in this sea-girt land they are much more open to attack by marine competition than the railways of the Continent and America. Public opinion, however, was against them, and thought that the men ought to have more. It is said that the railway managers wanted to fight the

* Cd. 6053.

question out with their workers, but that they were over-ruled by the Government, and appeased by a sop in the shape of a promise of higher rates for goods. Since then travelling facilities have not been quite so lavishly and cheaply supplied, and the public has paid for its sympathy with the men, as was right and reasonable.

It is clear enough, then, that the employer is in a very difficult quandary, with the claims of shareholders, workers, and consumers all twisting ingenious levers that give uncomfortably unanimous pulls at the rack on which he is stretched. Then he is often accused of being a heartless sweater and an exploiter of his workers, because he tries to do his best for the people who have sunk money in the industry that he manages.

There are plenty of bad employers. There are many, especially in small trades, requiring small capitals and carried on by small, mean men, who sweat ignorant workers who do not know what they ought to get for their work. With these the Trade Boards Act is gradually dealing. But on the whole the position of the

employer is one that wins sympathy from those who view it with an open mind. He does his work according to the best of his lights, under the conditions in which he has learnt it, and his difficulties are very great. From the point of view of his shareholders who want big dividends, and of his customers who want cheap goods, he has no right to make concessions to his workmen unless they are forced on him. What we have to do for him is to help him by making it easier for the workers to force these concessions from him. It is to the interest of everybody that we should do so.

There is no need to prove that it is to the interest of the workers that they should be helped to get more wages.

That it is to the interest of the public as a whole also goes without saying. If labour were better paid, strikes and disputes would be fewer, and we should all feel more comfortable. Further, it cannot be good for any nation to have a large and very important part of it under-fed, ill-clad, and ill-housed.

It is also clearly to the interest of the employer, whose life would be very much easier

if it were not clouded by the chronic fear of labour disputes. If he could satisfy his workmen without impoverishing his shareholders he would be ready enough to do so.

It would also be in the interests of the shareholders, or of the private employer who works with his own capital, though it is rather difficult to make them see it. It soon becomes clear, however, if we put it in this way. It is to the interest of all shareholders—or whoever it may be that takes the surplus profit of an industry —that the workers of all other industries but their own should be better paid, because thereby an enormous body of people with money to spend would be given more money to spend, and so there would be a keener demand for all kinds of goods, including the goods of the industry in which any particular body of shareholders is interested. Hence it follows that since it is to the interest of shareholders that everybody else's workers should be better paid, it would also be to their interest that their own should be better paid, as long as everybody else's were at the same time better paid to at least the same extent. For the slice taken

out of their profits would be more than made up by the bigger turnover and bigger profit to be got owing to the wider and keener demand by a large body of better paid workers for the stuff that their company is turning out. If once shareholders could all be convinced of this elementary fact, the way to a general rise in wages would be made straighter, though the very serious difficulty would still remain that the rise would have to be universal, and every company or firm would naturally wait for the others to begin. The push would have to come from below, from the workers themselves, and it would have to be made with a great heave all along the line.

"Besides which," says a shareholder in a company with a special and select kind of business, "you have forgotten companies like mine. We deal in pearl necklaces for duchesses or choice champagnes for plutocrats. A general rise in wages would not increase our turnover. Our patrons are the elect few."

This is true; but on the other hand, in these select kinds of business the cost of labour is a scarcely appreciable item in their expenses.

Their product depends on skill in selection and taste and ingenuity in preparation. It is only articles of more or less universal use that would be in greater demand through an increase in the wages of the workers. And so at the end of this examination of the difficult position of the employer, we find that it also would be eased if that change of mind about private expenditure set forth in Chapter II could be brought about. We have walked round the circle again and come back once more to the starting-point. A rise in wages can only benefit industry as a whole, if industry as a whole, instead of devoting much of its energy and ingenuity to turning out fripperies, gives itself whole-heartedly to producing necessaries that will find a freer market because of the rise in the wages of the workers. And this can only happen if those who influence industry by buying goods, cease or diminish their expenditure on luxuries because they recognize that every time they buy luxuries they stiffen the price of necessaries and make the struggle of the poor still harder.

CHAPTER V

THE WORKERS

It is astonishing that there should be any need to ask for a fair hearing for the case of the workers. By the workers I mean the folk who do more or less mechanical work, chiefly with their hands, and are usually paid by pence per hour or shillings per week. For the capitalist and the employer to be misunderstood and abused for no reason is a thing that seems to happen naturally. It is difficult for people who have not been trained to think about these things to understand that those who lend their money to enterprise and risk their money in enterprise must be paid for so doing; and in judging the action of the employer it is easy to forget that when he is a manager he has to earn dividends for his shareholders, and when he works for his own hand he has to keep his head above water. But it is almost incredible

that at this stage of our alleged civilization any one should doubt that labour ought to, and must, have a bigger share of the good things of the world. The mere fact that the wonderful growth of material prosperity, of which we are all so proud, has left millions of people, who do the hardest, dreariest, and dirtiest of the work that has produced it, to live under conditions in which they have little chance of really living at all, ought to be enough. There should be no need to contend that this state of affairs ought to be improved off the face of the earth. Everybody ought to be only asking how to do it best and quickest.

To say nothing of the tragedy of the matter, it is ridiculously absurd that, in a world which every year gives us a greater harvest of wealth, bad food, bad clothes, and bad houses, should be the lot of the majority of those who do the hardest and least pleasant work, while anything like refinement and culture can only be achieved by them through almost incredible self-sacrifice. And yet it has only lately dawned on a few eccentric folk that poverty is a thing that ought to be, and can be, abolished.

It is true that this new and audacious heresy has many sympathizers, and has even made converts where it might least have expected to succeed. But there is still a dreadful dead-weight of blear-eyed opinion that believes that poverty among the workers is inevitable. It often expresses much theoretical sympathy with the workers on account of their supposedly unavoidable poverty, but is very angry with them if they strike or demand higher wages. It resents any attempt to better the lot of those without whose efforts none of us could enjoy the comforts and luxuries on which we batten and fatten. This state of mind generally arises from a certain lack of imagination. It takes a certain effort to put one's self in the place of the workers, and to try to see how the world and its business arrangements must look to them. But if we make this effort we are more likely to marvel at their patience than to resent their desire to improve their position.

It was lately my lot to be a member of a jury that had to try an action brought by a labour leader, a man who spends his life in organizing the workers and trying to get them

better conditions and better pay. The case was long and complicated, and its hearing took several days. At luncheon time on the first day of the trial another member of the jury —a nice plump, cheery, kindly, rosy-gilled, white-moustached person—remarked to me as we munched a sandwich together that he thought this fellow (the plaintiff) ought to be in jail as a firebrand and a dangerous agitator, adding that, of course, this view did not in any way bias him. Such was this very nice old gentleman's view of a man who is trying, according to the best of his lights, to right a mistake in our civilization at which happier generations will some day scoff and marvel. The labour leader in question had never incited any one to violence, or uttered stupid remarks in public about the King or the flag, or made any of the other mistakes with which labour leaders so often damage themselves and their cause. Nothing of the kind was brought forward against him, and there was a formidable array of King's Counsel engaged on the other side, who would certainly have brought anything of the kind to the notice of the jury. The only thing against

him was that he had tried by organization, strikes, and other entirely legitimate means to get better conditions and better wages for working men. This was enough to condemn him to jail in the eyes of a very pleasant and apparently kind-hearted gentleman.

Strikes are very tiresome and inconvenient, and cause great misery to the workers themselves. They are a barbarous weapon, only justified by the barbarous evil that they are used to fight. But how much of the improvement in their lot, which they won in the last century, would the workers have seen if they had never struck, or threatened, or been thought to be likely, to strike? Since this "put-him-in-jail" policy expresses the attitude of too many educated people towards labour, can we wonder that labour should sometimes make mistakes, and believe that it is down-trodden and exploited by capitalists and employers?

There is plenty of excuse for bitterness on the part of the workers, but it will not do them any good. Bitterness and violence are quite out of place in a matter of business, and this whole question of a fairer sharing of the world's

wealth is a matter of business and nothing else, and so has to be tackled with good temper and readiness to see that there are two sides to it. It is first of all necessary to recognize that the practical results of the present state of things are economically disastrous and absurd. It is bad for the community as a whole that the working classes should be ill-developed in mind and body. It is also bad that they should have been driven to the conclusion that their work must not be too efficient and that unless the output of the best workman is kept down to the level of the average, their power of collective bargaining will be diminished. Since we are all consumers and most of us have wants unsatisfied, it ought to be to the interest of everybody that the output of all kinds of goods should be as great as possible. This statement is so obvious that one is almost ashamed to write it. And yet our economic machinery has got such a queer twist in it somewhere that manufacturers are in chronic fear of over-production and glut, and the workers are convinced that it does not pay them to work too well.

This conclusion on the part of the workers,

that the best of them must regulate the pace and efficiency of their work by that of the average, is often referred to as an instance of the tyranny of the Trade Unions. Its results are unfortunate, and it must often be tiresome enough to good workmen who would prefer to work as well and fast as they can for the mere joy of doing so, apart from the question of any extra pay to be got. Nevertheless, unless there is a standard there cannot be collective bargaining; if every man were for himself there could be no unity, and without collective bargaining and unity the workers would find it very difficult to press their claim for better wages. If instead of abusing Trade Union tyranny, people would recognize the benefits got by Trade Union discipline, they would be able better to understand the attitude of labour on this point, though they might still be justified in maintaining that the result of it is bad for the workers and bad for the consumer and bad in short for everybody concerned.

Another economically bad result of our present arrangements is the view often held by the workers that if they work too hard and

too regularly they will use up all the work that is available, and so increase unemployment. In this theory they have a certain justification in fact owing to the limitation of the volume of industry by lack of capital. But this, again, only shows how twisted and stupid our economic machinery has become. Until all the wants of mankind are satisfied, there could be no lack of work to be done in a sensibly arranged economic system.

In fact, the more one contemplates the absurdities of our economic system, with its violent fluctuations of buoyancy and depression in trade and finance, its terrible weakness in the face of panic and war scares, its ill-paid workers and over-fed hangers-on, the crowd of speculators that it breeds, tragical alike in their success and their failures, the huge fortunes amassed by quite stupid people because they have diligently sold stupid things to still stupider people, these same huge fortunes then passed on to a further generation of stupidities which finds itself invited to lord it over the rest of humanity with the power of its money-bags —with all these absurdities before us we cannot

wonder when hasty enthusiasts decide that the only thing to be done is to turn the whole system upside down and start afresh with Socialism, or Syndicalism, or anything else that means a clean slate.

To under-paid workers the attractions of Socialism must be as alluring as the sight of an inn to a thirsty traveller, and there is no need to marvel at the number of converts that this new faith has made among them. To any of us who respect order and discipline and common sense, a system under which the real wants of a community were provided for, by the ordered and organized work of its members, seems immeasurably better than one in which the guidance of industry is left to a number of disconnected units which work haphazard, and by making guesses about what sort of goods their public will want, or can be induced to believe that it wants, by much outlay on advertising and touting. If Socialism were possible—if any nation could produce a Government able really to tackle the business of working its industry as an organized whole—the economic benefit would be very great. All the miserable

waste involved by competition and advertising would be saved, all the effort that is now frittered away in piecemeal endeavours that come to nothing would be turned to profitable use. There might be less enterprise and less readiness to try new ventures, but the known wants of man—or such known wants as the Government thought fit to satisfy—could be satisfied with much less effort, if that effort were concentrated and organized by one great machine.

But in the first place nations have Governments which are nearly as fallible as the average citizen, and great as the economic advantages would be of industry ideally worked by an ideal Government, even greater would be the disasters that would result from the mistakes of a weak and stupid Government struggling with a task that was beyond its powers. Now, an industrial error of judgment affects a few shareholders and adventurers. Under Socialism it might impoverish a people. Moreover, even if by some miracle we could evolve an ideal Government—and perhaps already the Prussian and Japanese bureaucracies are nearly skilful and diligent enough to handle such an undertaking

—its efforts would be of no avail unless it had an ideal people to organize and direct. The stock economic argument against Socialism, that no one would work well unless he were working for his own profit, is a libel on human nature based on the old fallacy that men only work in order to grow rich, and that their object in life, economically speaking, is to get as much wealth as they can with as little work as they can. This may be true of man viewed in the abstract as a purely economic agent, which he never was—even Shylock preferred a slice of Antonio to thrice the sum due to him. Viewed as a living fact, man is an active little animal, stung by the bite of a gadfly that makes him want to work and be busy and do things. But though it is true that most men really work because they want to, it does not follow that they would want to, if they were made to by Government. A much stronger sense of collective responsibility and unity of interest has to be grown among us before we are fit for Socialism. When it has been grown, the form of Government under which we live will not be a matter of great moment.

Moreover, great as the economic advantages of Socialism would be, if it were worked by an ideal people under an ideal Government, economic advantage is not the only question. Man does not live by wealth alone, and it is likely that he would become very flabby in moral fibre if he were organized and regulated and ticketed and docketed as he would have to be in a Socialistically organized State. If a man is to learn to be a man he has to be allowed to make a fool of himself as and if he pleases. In other words, he must have freedom of choice, real or imaginary. With most of us the freedom is imaginary rather than real, since we are bound so tight in the chains of circumstances and of all that has gone before that we have little or no choice but to plough along our furrow until the end. Still we always flatter ourselves that we are much freer than we are, and this delusion is quite as good, by way of mental tonic, as the fact of freedom. Moreover, we could, if we were really driven into a corner, cut ourselves loose and make a fresh beginning. Under a thoroughly organized Socialistic system every one would have to do as he was told, whether

he liked it or not, and there would be no merit in holding on to the plough. We should be like boys who are kept under so strict a watch by their masters that they cannot do anything naughty. Though they do nothing naughty, it does not follow that they are good boys, because they are not moral agents at all, having no choice.

It may be urged that under Socialism production would be so well organized that we should all have much more leisure, and so more chance of following our own bent; and this is probably true, always assuming an ideal Government and an ideal people; but, nevertheless, the chief business of a man's life would be carried out under an iron discipline, which would be very comfortable and simple for the easy-going and unenterprising, but would tend to make them flabby-minded machines, while it might break the heart and spirit of the nobler natures.

There is no need, however, to consider the advantages and disadvantages of Socialism in the full sense of the word, implying (if I understand it aright) an organization so complete

that the work of every citizen is determined for him and consequently also his remuneration. For in this sense Socialism is not yet a practical question. Before it can be a practical question many gallons of argument will have to be poured out, perhaps a few heads will have to be broken, and a new spirit must be abroad among us. All this may happen some day, if enough people can be made to believe that it ought to happen. In this book I am only trying to show what every one can do, here and now, to chip away one or two bricks from the sordid edifice of poverty. We so often have Socialism put before us as a remedy for all social evils, that its impossibility, under present conditions, had to be pointed out. In its narrower sense, implying the duty of Government to govern, and to interfere, if necessary, in the interests of humanity and national welfare, with so-called economic laws, Socialism has already won its victory and has only to use it with prudence and discretion.

How, then, are we going to do anything towards unravelling this stupid economic tangle that has twisted the minds of the workers into

the belief that it is better for them not to work too well? It is no use to try to argue with them about it, for the logic of the matter is on their side. As things are they are quite right. If they work harder and produce more, it does not therefore follow that they will be any better off, except possibly, and then very remotely and indirectly and almost inappreciably, as consumers. They will not be directly better off unless at the same time they can insist on higher wages, and, on the other hand, there will be so much less work to be done. Why should nine workmen consent to be "speeded up" so that a tenth may be thrown out of his job? It may be, must be, to the interest of the community as a whole, that the industrial output should be as great as possible, but it is only to the interest of the workers that this should be so if they can be sure that they themselves will get some definite increase in their share of the good things that are made more plentiful. Under present conditions this is not so. They may get it in the shape of increased wages or cheapened goods, or they may not. If capital is scarce and development and enterprise are

slack and timorous, the demand for labour will not be keen enough to enable the workers to get better wages; and if the increased output of industry takes the shape of luxuries, there will be no cheapening of the necessaries of life. We are back again at our old thesis. The extravagance of the rich increases, perhaps causes, the poverty of the poor. If capital were more rapidly accumulated and more steadily devoted to the production of necessaries, wages would rise and necessaries would be cheaper.

But the workers can do much for themselves. Already they have done much for themselves, but they can do much more. They can organize and husband their resources, and insist on longer and better education for their children. The extent to which they have already organized themselves is a marvel of achievement under great difficulties, but it has to be carried much further before they can bring their sheaves home. Lately there has been shown a tendency, especially among the younger spirits, to weaken the organization of the workers by starting strikes without the authority of their leaders, and by refusing to abide by agreements entered

into by their representatives. The leaders, it is said, become too pliant and weak-kneed in the hands of the employers and enter into agreements which tie the hands of the workers too tight. It may be so sometimes, and in any case it is most natural that the rank and file should often grow impatient as they see the world ever growing richer and their own lot so drearily slow in being bettered. It is most natural, and this impatience is all to the good if it goes into the right channel and makes the workers keener to do all that can be done to quicken the pace of their betterment. But all that they have so far achieved they have achieved through unity and discipline, and if small knots of discontented individuals try to improve matters by disregarding the authority of their leaders, and forcing the employers to the view that agreements entered into by the men's representatives cannot be relied on, the force of the labour movement will be very seriously weakened.

Violence and intimidation are ugly things, and it is easy for us who have never known what it is to go to bed hungry to describe them as

outrages on civilization. So they are. So is the existence of poverty. Two wrongs do not make a right, but the fact that the system, against which the workers have to fight, is one which is full of glaring weaknesses, should make us hesitate about condemning, with too vigorous rhetoric, the mistakes that the workers make in the course of their struggle. When men go on strike because they see themselves left poor in a world full of wealth that they help to create, a certain exasperation is natural and inevitable when other men make their victory difficult by remaining at work. That this exasperation should express itself in violence and intimidation is a lamentable blunder on the part of the workers, but it is a blunder which any one who is human would be exceedingly likely to commit if he found himself in the same position.

How serious the blunder is may be seen from the effect that it has on the rest of the community. It turns public sympathy against the workers and brings out amateurs ready to take the place of the strikers, as lately happened at Leeds and in New Zealand Every time

this happens it lessens the chance of success for a strike. If the workers rouse the feelings of the rest of the community too far, the community is quite capable of organizing a force of semi-amateurs ready to turn their hands to any task that may be left in suspense by strikers. Members of the middle class, well enough educated to be able to pick up a knack of work quickly, might often turn the tables in an industrial emergency.

If the middle class can thus make the success of strikes difficult by becoming workmen for the time being, it is clear that the workmen must be very careful to refrain from setting this machinery in motion. This they can best do by taking care always to have justice and reason on their side, and by playing their game on the lines of the strictest fairness. Justice and reason are naturally on the side of under-paid men who want more, if the industry that they work for can afford to pay it. The middle and upper classes are ready enough to feel shocked and uncomfortable when they are suddenly reminded of the hours that the workers work, the work that they do, and

the pay that they get. The fact that it is bad business and absurd and unfair for the hardest workers of the community to be chronically under-fed, ill-clad, and ill-housed is forcing itself on an ever-widening circle of thoughtful people. But alongside of this growing conviction there smoulders an ever-ready feeling of testy resentment against what are thought to be unfair methods employed by labour to achieve its ends, and this resentment is apt to blaze out when the workers disregard agreements made by their leaders, or employ violence and intimidation against those who refuse to strike, or when they take advantage of some pressing need of the community, as when coal porters strike during a time of hard frost. This resentment may or may not be unfair or exaggerated by lack of imagination on the part of those who cherish it, but it is a very real force, and the workers cannot afford to rouse it or ignore it.

If they are dissatisfied with their leaders it is better to replace them than to leave them in a position in which their power to help the cause of labour is weakened by the action of

those whom they represent. In the face of the compact and mighty combinations of the employers it seems to be the worst of tactics for the men to weaken the discipline of their own army. Their way to success lies through improving it and through widening its scope so that every worker shall be a member of it. They will not do this by throwing about pretty epithets like "scab" and "blackleg," but by showing so strong a front that no worker can afford not to stand with them.

Again, the workers can greatly improve the strength of their position by more regular working. It is a common complaint among employers that, when times are good and work is plentiful and wages are high, they cannot get their men to work $5\frac{1}{2}$ days a week. Here is an extract from a letter from a "Suffering Shipowner," which appeared in the *Times* of April 17, 1913:—

"There is another condition which operates against quick delivery: the scale of wages to the men employed is, as is well known, very much higher than that of even two years ago, and the men in many instances, notably that

of riveters, earn as much now in four days as they used to earn in five and a half days. If they worked the full week they would benefit themselves, their employers, and owners. Unfortunately for all parties, this does not suit the men; on the contrary, the majority of such men refuse to work more than the four days, the spirit of thrift or economy being, except in isolated cases, unknown, or, if known, despised by them. Overtime is tabooed by the various unions.

"I have little doubt that the chief reason for the placing of the orders to which you refer with French builders is the much greater reliance that can be put upon date of delivery, as the French workmen welcome busy times as enabling them to add to their savings, whereas the British workmen welcome them as giving them the means to spend money on personal entertainment, to gratify which they utilize the time when they could be earning further wages for the good of themselves, their families, and the community in general."

Now, public sympathy for under-paid workers is difficult to cultivate, if workers

take three days' holiday in every seven, and refuse to earn good wages while they can. If they made hay while the sun shone they could lay up a store against a rainy day, making their position much stronger if a strike became necessary, and even accumulating a stock of capital. If, then, they could further develop the gift of management—and the number of managers who have risen from the ranks shows that there is plenty of it among them—they would have peacefully achieved the Syndicalist ideal, and the workers would be capitalists, managers, and workers off their own bats.

All these counsels of moderation and restraint which are so easy for those who have never felt the pinch of poverty to prescribe, require a great effort before they can be put in practice by those whose education has been chiefly in the rough school which teaches those at the bottom of the industrial ladder how to face the facts of life. The sacrifices that the workers cheerfully make for one another and the common interest of their class compel admiration and respect. The sums that they pay to support members of other trades on strike are wonderful,

when we consider the scale on which they are paid, and the domestic budgets on which they are expected to bring up families. The sympathetic strike is itself a remarkable example of readiness to suffer hardship on the part of workers who themselves have no grievance to strike about, but are ready to leave their work to help the struggle of others. It sometimes rouses the resentment of the middle classes, but at least they must acknowledge that it involves a fine act of self-sacrifice by those who carry it out.

With these proofs, so often and so readily given, that the workers are gifted with qualities which may well be envied by those who have been more gently trained and nurtured, there is good reason to hope that their progress along the line of unity may help them to a victory which will wipe out a bad blot on our civilization. This hope is greatly strengthened by the eagerness with which many of them are reaching out for the fruits of education, making astonishing sacrifices of their scanty leisure in order to grasp them, and producing extraordinary results. These results, indeed, will be a rude shock to

those who believe that intellect is a thing that it takes generations to develop, and base on this theory a comfortable belief that the so-called cultivated classes must always have reason and sound judgment in their keeping, because they alone have minds which are susceptible to real education. In an article in the *Morning Post* of April 29, 1910, describing the work and progress of the Workers' Educational Association, which organizes lectures and classes for mill hands and other workers, it was stated that "the standard of work achieved in the first classes started was remarkably high. An experienced history examiner in Oxford, who went through a large number of essays, selected at haphazard, made the deliberate pronouncement that over one-third of them reached the first-class standard of the Oxford Modern History School."

Such is the astonishing result of scattering the seeds of knowledge among men whose leisure for learning is so scanty that "it is no rare occurrence for a student to sit up working till one o'clock in the morning and then to enter the mill at 6.30 a.m. as usual."

This startling revelation of intellectual power, brought out in the face of such difficulties, calls attention to the terrible waste of human mind that is caused by our present system. As things are, it is possible for the workers to pick up a few crumbs of real knowledge through an effort which can only be made by those whose hunger for it is so keen that it will surmount almost incredible obstacles. The power that these few heroes of the battlefield of knowledge have shown, of assimilating and reproducing such teaching as can be put before them, proves that a great hidden store of intelligence every year goes to waste, and is never brought into being, because those at the bottom of the ladder are not given a fair chance of developing the mind that is in them. Intelligence is an article that is highly prized in the business world. A man who knows how to work and can bring a real mind to his work is often looked for in vain when an enterprise has to be started or extended, and yet the minds of the great majority of the population are allowed to run to seed. Our economic arrangements are such that their education, such as it is, leaves off at

the age of thirteen or fourteen, just when it ought really to be beginning in earnest. The economic waste involved by this piece of stupidity is incalculable.

Politically and morally the waste is perhaps even greater. Consider what the position and strength of a nation would be if every one of its citizens were a fully developed man with all his powers of mind and body properly trained in his youth before he was set to fight life's battle. With its store of trained intelligence, ready adaptability, and force of mind and body, it would face the problems of national and human existence with a collective vigour such as can hardly now be imagined. Incidentally, if it were so minded it could wipe the floor of the earth with any other nation with which it happened to disagree. But it might fairly be expected that its wide understanding, well founded self-confidence, and good health of mind and body would give it a most serene and sunny temper and teach it to win its victories, as it easily could, without any appeal to the weapons of the wild beast.

"But," I shall be told, "the workers would

be discontented and unruly. You could not get a man to be a platelayer or a stoker if he had intelligence enough to work with his head. Everybody would want to be a Government official or an editor or a bishop."

This objection is not a very serious obstacle. In the first place, are the workers happy and contented now, and have they any right to be, and have we any right to be, until their lot has been bettered? In the second, it is surely true that work with the hands is made more interesting and attractive, and is also much better done, if the mind of the worker is fully trained. Some of us who work with our heads in offices would prefer to work in the fields or at sea or on the footplate of an engine. But we did not know as much when we began life as we know now, and fate and the force of circumstances drove us we knew not whither. In a nation with a really trained intelligence, work with the hands would be seen to be just as fine a thing as work with the head. As it is, a great cricketer is a much bigger man in the eyes of the public than a great politician or a great thinker. In fact, it may be said that

bodily prowess in games now opens the shortest way to the respect and admiration of man. A very slight change of mental habit would give bodily prowess in work its right position.

But is it possible to educate all our workers and train them to the full in mind and body as all men should be trained? Not as things are now, or all in a moment. As things are, if we even added two or three years to the spell of so-called education that is now given them, many poor families that depend on the earnings of their children would be reduced to straits that would have bad economic effects. But it is absurd to suppose that with the world's mighty productive power we could not afford to make everybody a real man, in mind and body, before he goes to work, if only the world's productive power were more sensibly organized, and if the produce consisted more largely of things that are wanted and less of things that people buy from force of habit or convention. And the shortest and easiest way to achieve this reform is to persuade those who have the buying power to think more carefully about their responsibility in spending.

CHAPTER VI

MIDDLEMEN AND HANGERS-ON

If after dealing with the capitalist and the employer and the worker we were able to go straight on to the consumer, our problem would be very much easier to solve. But anything that has been grown or made usually has to go a long way and pass through many hands before it comes into the possession of the man who finally eats it or wears it or otherwise consumes it. And every pair of hands through which it passes takes toll of it, that is to say, adds something to the price that the final consumer pays, or takes something off the profit that goes to shareholders in the producing company, or off the wages that can be paid to the workers who made it.

Most of these intermediaries are necessary. It is easy to talk of doing away with the middleman, but when he is done away with he usually

comes to life again in another form or under another name. The most clearly necessary intermediary is the transporter, the owner of the ship, railway and wagon that have to convey the stuff from maker to consumer. There is also at least one merchant, a broker or two, and the shopkeeper who finally makes the retail sale to the consumer. Furthermore, there is another chain of people who are just as essential as the transporters—namely, the bankers, financiers, billbrokers, and, perhaps, dealers in foreign exchange, who find the credit and provide the currency to finance the movement of the stuff from place to place, and see to the consequent transfers of cash or credit.

Now we begin to see the reason for the difference, so startling at first sight, between, for example, the coal that is sold at the pit-mouth at 10*s*. or 12*s*. a ton, and costs us in London anything up to 30*s*. It occurs at once to all amateur economists that it would be an enormous saving if we could do away with all these middlemen and divide their gains between the producer, his workers, and the consumer. Why should not the consumer buy his coal at

the pit-mouth? So he could if he were there ready to arrange for its carriage, and, further, if he were prepared to buy a good round mouth-filling amount, not homœopathic doses of a ton or two at a time: also he would only buy on the alluringly cheap terms that one sees quoted in the papers if he contracted to take large quantities at regularly recurring intervals, so that the colliery company could be sure of disposing of its output. Further, he would have to pay for the carriage of the coal, and by the time he had done so he would find that there was a very big hole in the saving that he thought he was going to effect by dealing direct with the producer.

Now, as the ordinary consumer could not possibly buy on the scale required unless he had a large amount of capital to sink in coal and a large area of space in which to store it, and as he would also have to run the risk of its deterioration before he could use it, he would at once have brought home to him three services which are performed for him by middlemen, and would have to be performed by himself—or somebody—as soon as he did away with the middleman. These services are: (1) wholesale purchase and

retail selling—the fact that the merchant is prepared to take away the coal in big blocks and store it and sell it piecemeal to suit our convenience; (2) the provision of capital to bridge the gap in time between purchase and sale; (3) the taking of the risks of deterioration in quality if the coal is not sold fast enough, and of a spell of warm weather which may knock a shilling or two off the selling price of coal before it is sold.

These services have to be paid for, just as we saw that the service by the capitalist would have to be rendered and paid for even if we reorganized society on a Socialistic basis. Co-operation is usually supposed to do away with the middleman. But it may more truly be said to be its own middleman. The retail Co-operative Societies do away with one middleman, the retail shopkeeper, but they do so by taking his place. They buy goods from middlemen, the Wholesale Co-operative Societies or others, and sell them to their own members, who have supplied their capital. They pay a fixed rate of interest on their capital, and the rest of their profit is divided among their members in

proportion to the amount of their purchases. Their organization and working expenses all have to be paid for, but they are able to work cheaply because, by their ingenious system of paying dividend to purchasers, they encourage their members to buy from them, and so are saved to some extent from the risk, that the ordinary retailer has to face, of not finding customers for their goods.

Nevertheless, though we cannot endorse the popular theory that the middleman is an unnecessary nuisance, there is much to be said for the view that he is too costly. He has an ugly habit of forming rings and "combines," in whose grip the small producer and the small retail dealer are helpless, and so getting more than his fair share. It is a weakness in our economic machinery that dealers and brokers seem, on the whole, to be more prosperous than the actual producer of the goods that they handle, and that trading towns are more wealthy than the purely industrial, or producing, places. Mr. Dibblee, in his "Laws of Supply and Demand," remarks that one of the most remarkable of the "prodigious difficulties to be faced

in economics" is the "predominance in wealth and capital of the mercantile as compared with the manufacturing cities of the world. This was no less true in the days of Tyre and of Carthage or during the commercial predominance of Florence, Genoa, and Venice. Each of these mercantile queens had probably, for purposes of military protection, to make, as well as to market, some of her own wares, but it was the marketing that brought the profits." Among other examples he cites London: "Of industry in the modern sense, which uses 'power' for production, she is almost ignorant. . . . Yet the wealth of London considerably exceeds that of the next twelve cities in the Empire taken together, and is vastly more than the combined wealth of the next twenty purely industrial towns, such as Coventry, Wolverhampton, Oldham, Bolton, Preston, Huddersfield, or Toronto, to name only a few. The greatest and wealthiest city in the world grows ever fatter and richer without herself using more than a small fragment of modern industrial power." *

* Pp. 50 *et seq.*

It is not well that commerce should be more highly paid than industry, and that those who handle goods and pass them on should get a greater reward from the community than those who make them. Yet it appears to be so wherever men trade and manufacture. The quickest and biggest fortunes seem to come to those who make a "turn" or commission by passing something on. It has already been shown, however, that they are necessary links in the economic chain, and it may be that their profits are not really greater in the aggregate, but that they are less evenly distributed, owing to the big risks that they take. More of them grow rich quickly, but perhaps more of them also lose money and fail. Those who win gain fame and notoriety, and we hear all about them. Those who fail lapse into obscurity, and make no mark on the page of economic history.

This speculative element in the business of the intermediary lies in the fact that he takes goods over in the expectation, which may or may not be fulfilled, of selling them again at a profit. For this risk he has to be paid, and if we could eliminate or reduce this risk we could

save much of the big profit that the middleman earns when he succeeds.

Herein lies one of the great economies that would be effected by a Socialistic system if it were possible, and if an ideal Government and an ideal people could be found to work it. The Government, knowing exactly what things were best for the people to consume, would have those things produced and distributed among the people for consumption; and the people, acquiescing in the taste and judgment of the Government, would consume them. The simplicity and economy of the whole arrangement would be admirable, but no people now on earth could suffer it for a week.

What we might be able to endure is some extension of municipal activity in the direction of providing cheap and good food supply, enabling the poor of our great towns to be better and more cheaply nourished. But this arrangement, beneficial though it might be if carefully worked, would not touch one of the greatest of our problems of nutrition, which lies in the difficulty that the poor in many country districts find in getting milk for their children, because

the milk is all sucked into the towns, flowing like everything else to the market that is biggest and most certain to absorb it. Moreover, these great reforms that have to be undertaken and carried out by folk in official positions are beyond the scope of this book. It is only concerned with showing what every citizen can do to correct the evils of our economic system without waiting for great measures to be passed.

This particular evil, which arises from the risk that the middleman has to take, and the big reward that he consequently gets if he can, can only be corrected by us ordinary mortals, if we do away, as far as we can, with the middleman's risk by buying things that we really want, instead of wasting our substance on luxuries that we do not need. Thereby the stream of industry would be concentrated in a narrower channel less liable to ebb and flood, and those who have to make a living by forecasting the demands of the public would have less margin of error, a surer market, and less chance of loss to provide against. Moreover, if we could really bring ourselves to make this change in our spending habits, another great

economy would also be brought about. We should check the roaring activity of advertisement, with all its waste, ugliness, and absurdity.

Quite the strangest of the queer features in the business arrangements of mankind is this astonishing and incredible growth of advertising. No sane man, if he thought the matter over quietly, would dream of buying anything on the mere assertion, by some one who wanted to sell it, that it was cheap or good. Yet we do this so habitually that those who have goods to sell find that it pays them to shout these assertions all over our newspapers and streets and landscapes. Mr. Dibblee quotes, and endorses, an estimate by a president of the Incorporated Society of Advertisement Consultants, that a hundred millions sterling are spent annually on advertising in this country, and reckons a gross total of £550,000,000 per annum for Europe and North America.* These millions, or most of them, are paid by those who buy the goods.

Advertising is not all waste. Within certain limits it has its uses. When a new and really

* "Laws of Supply and Demand," p. 182.

useful article, such as an electric lamp that gives a better light with less current, is being introduced, the buying public will hear of it a little more quickly through advertisement. Or, if we know that we need a thing and make use of advertisement to see where we can get it and at what price, it may be a help. But it can seldom be necessary to use it for this purpose, for if we need any article of common use it is almost certain that some one, on whose experience we can rely, can tell us where to get it and what we ought to pay. But there are some few things, in the case of which the need is not general but particular, and here advertisement can really help us. For instance, if we want a book to read or some plants to put in the garden, a publisher's list may show us that our favourite author has lately been delivered of a novel, and a seedsman's catalogue may remind us that a clump of gaillardias will give our borders just the blaze of colour that we want.

This is not real advertising in the modern sense of the word. It is the glory and the boast of the skilful advertiser that he can make people

buy things that they do not want. In so far as he does so he simply forces them to waste their money, and makes them pay him for doing so. He also justifies his energies on the ground that, by enabling the seller to sell in huge quantities, he enables him to sell cheap, and so benefits the consumer as well as the maker of the goods. It may be so sometimes, but there are many obstacles in the way of this beneficent result. If the maker is selling in competition with other advertising producers, it is competition rather than advertising that brings the price down. If his advertising wipes other competitors out and gives him a monopoly, the cheapening of production by manufacture on a great scale is more likely to put extra profit into his pocket than to give cheap goods to the consumer.

If we made up our minds for ourselves about the things that we need and turned a deaf ear to the interested voice of the advertising charmer, we should not do away with him altogether, but we should at least save many of the millions that are now spent on his wiles. I may be told that if advertisements were

reduced the Press could not live ; but the Press is much too full of life to be killed even by the total loss of this source of income. It would have to live by giving us good news and good stuff, instead of by supplying space for advertisements, and so it would be on a sounder basis. The papers would be much smaller and perhaps rather dearer. But their commercial success would no longer depend on their being read by folk who are weak-minded enough to be susceptible to advertisements.

We are nearly at the end of the long list of people whose services have to be paid for before the consumer can make any commodity his own. So far we have encountered the capitalist, the employer or manager, with his staff of clerks, the workman, the conveyer, the merchant, the broker, the advertiser, the retail dealer, and the banker who provides them all with currency and credit. Here we have most of the mouths that take a direct bite out of the earnings of production. But besides these there is a hungry horde whom production has to feed and clothe and house and provide with comforts and luxuries, though

they have no direct connexion with primary production. Among them the most important are the rulers, Government officials, civil servants, policemen, soldiers, sailors, and others, who provide us with governance and security. Then there are the lawyers, doctors, clergymen of various kinds, teachers, writers, artists, artistes, stockbrokers, and many other providers for our mental, moral, and material comforts, including the undertakers who finally bury us.

Their claims to a big share of the good things of the world are very relevant to the problem with which we are dealing, that of bettering the lot of the workers. For since, as has been shown, the output of goods is at all times limited by the amount of available capital, management, raw material, labour and means of conveyance, the difficulty of increasing the worker's share of the output is greatly magnified by all these claimants to a share for services rendered which are not directly productive.

Their claim is just enough in most cases, for some of them render services without which the producers could not produce, and others

supply the entertainment and instruction and diversion and enlightenment without which the producers would live like convicts on a treadmill. But their services are sometimes exceeding costly.

An astounding statement was lately made before the Royal Commission on Railways. Mr. B. P. Wilson, iron and coal merchant and vice-president of the Ossett Chamber of Commerce (I quote from a report in the *Times* of February 7, 1914), urged that "means should be taken to prevent railway companies incurring unnecessarily heavy costs in promoting and opposing Bills in Parliament. He calculated that the railway companies to-day were bearing a burden of £90,000,000 expended in that way. That must tend to increase railway charges." The mind staggers before that formidable row of figures. It must indeed increase railway charges and incidentally diminish dividends and the sum available for the wages of the workers. Let us just consider what it means. Since their first creation the railway companies have spent 90 millions, not on developing and improving their service, and making the transport of goods and people cheap and efficient,

but in squabbling with one another, or with public authorities, or somebody, before Parliamentary Committees. This money has been paid over to people, chiefly lawyers of various kinds, who have helped the railway companies to put their view of the case before the wisdom of Parliament. That means to say, in the first place, that these trusty henchmen have received 90 millions, and to that extent have been able to help themselves out of the stock of goods and services year by year produced, and so have had the power, by the use that they made of this money, to influence the course of industry in one direction or another.

Further, this sum, which has been so spent, has been raised by the railways on capital account, that is to say, they have to pay interest on it. If we suppose the interest to be at the rate of 3 per cent., this capital expenditure means that every year and for all time the railways have to take £2,700,000 out of the pockets of the public that travels or sends goods from place to place, to meet the permanent charge on the sum spent in making clear their disputes and protests to the intelligence of our

legislators. Probably the railway companies could not help it. We know that in their early days great obstacles and difficulties were put in their way by people who did not want their pleasant estates and clean country towns to be made ugly and dirty by them. It was a very natural prejudice, and the fact that the railways have since greatly enriched all the nice quiet country places that did not want to be spoilt by them has not quite proved that the prejudice was wrong. But the whole business is a striking example of the way in which the hangers-on of industry grow fat at its expense.

In the same way a large proportion of what are called the professional classes live by "taking in one another's washing," by rendering one another mutual services, which make life comfortable and pleasant and easy and secure for those who can enjoy those services, and give them a claim on the real necessaries of life, the tangible goods that are produced by industry. The doctor sells medical advice to the lawyer. The lawyer sells legal advice to the doctor. Then they give one another cheques which carry with them a claim on the products of industry.

These claims the doctor and lawyer can either devote to their own satisfaction, or can pass them on, in the form of wages and other payments, to all their various dependents. Industry has to support them all and does so because, if they did not exist, the organizers of industry would have to spend much of their time in trying to doctor themselves and doing their own legal business. It may be that we are now finding the solution of a mystery that often clamours for an answer as one walks through a country town. On what and on whom do its denizens live? There may not be a factory or a workshop in sight, but there will be rows of prosperous-looking shops, a goodly array of thriving inns and streets of comfortable houses in which people are evidently living in ease and plenty with an army, or at least a regiment, of servants, gardeners, chauffeurs, and odd jobs men to wait on them. They cannot all be capitalists living on inherited wealth. Perhaps they live by selling services of various kinds to the farmers in the neighbouring country, who are busy in producing food and raw material out of the ground. But it seems queer

that they should be so much better off than the farmers, to say nothing of the farm labourers.

The process by which the capital of the railway companies was burdened with a weight of £90,000,000 without any direct increase in their productive power is technically described as "watering" their capital. The burden laid on industry by all these people who provide the community with non-industrial services is like so much water put into the capital account of the nation. The railways could not help watering their capital, because if they had not spent that money they could not have got their Bills through Parliament, and nearly all companies start with a certain amount of water in their capital, representing the goodwill of a business bought, or other expenses essential to their organization. In the same way the community could not do without the services of most of the hangers-on of industry; but they are so much water in its capital, and live, ultimately, on the brains and sweat of the producers. This is a fact that they might well remember, when considering their responsibility as consumers.

CHAPTER VII

COMMON SENSE AND THE CONSUMER

Now we come to the villain of the piece. In examining the claims of the various people who share in the produce of industry we have not found any one whom we can condemn to extinction in order to better the lot of the workers. Capitalist, employer, manager, middleman, even some forms of advertisers, were found to be all essential to industry on its present basis. We have also seen that many people, who now live on the proceeds of industry without being themselves producers, nevertheless render services to the community without which it would enjoy no security, and would live in a joyless and unenlightened world.

So far the only glimmer of light that we have been able to find in the problem of bettering the lot of the workers, without revolutions or

appeals to legislation, is the conclusion that the reward of capital and also of the middleman could be lessened without injustice, and without frightening them away, if we could give them a compensating advantage by lessening the risk that they take; and that this might be done if industry were to give more attention to producing things that are really wanted, and so are sure of a market, and less to luxuries that cannot be so certain of finding buyers.

At the same time it has to be admitted that it would be no use for industry to turn out more of the things that are really wanted, unless the people who at present have to go short of them were enabled, by getting better wages, to buy them.

How is this concentration of industry on real wants to be brought about, and how can the wages of the workers be increased? It was shown in Chapter II that both these objects could be achieved if we could work a slight and gradual reform in the manner in which we all of us spend our money. Now we come back again to this point from which we started, having found by a process of exhaustion that

the consumer, or money-spender, is the only person who is left to be arraigned and found guilty.

This is a very comfortable conclusion, because it gives us so much room. Our Commination Service will be beautifully comprehensive. We are all of us consumers or money-spenders, and all of us, including the very poorest, could spend our money to better advantage if we tried, and make the world a much pleasanter place for ourselves and others.

"Why should I try?" asks some one very plentifully endowed with common sense. "What has it to do with me? I earn £1000 a year, and I work for it. I shouldn't be paid this income if I wasn't worth it to somebody, and why on earth shouldn't I spend it exactly as I like? I am not responsible for our economic system. It hasn't treated me badly. I pay a lot of people to look after the government of the country and it's their business to put things right if they're wrong. I entertain freely; I give plenty away to objects that I think deserving. It's my own money, and why shouldn't I do what I like with it?"

First of all, let us try to frighten him a little. If there is any likelihood that a real economic improvement can be brought about by more sensible spending, it is surely better to try this method instead of letting things drift towards terrible experiments like General Strikes, and the possibility of bloodshed and perhaps revolution. Surely it is plain that never before in the world's history has there been such world-wide unrest among the workers. Those who are in sympathy with the workers and think that they ought to, and must, get a bigger share of the world's goods, are glad to see this unrest. But to the man who is quite content with the manner in which wealth is at present distributed, and only wants to enjoy his own income, it must be a most disquieting and uncomfortable symptom. For he feels that he is really much more vulnerable than the workers. He must have his three good meals a day, perhaps four. They are quite used to going hungry—one of the most pathetic facts in language is the existence of a regular word for it in the north country, to "clem." If the workers could only solve the question of unity among themselves, so

that a strike meant a really unanimous cessation of work by them, a General Strike would become a terrible weapon against people who do not like to miss their accustomed creature comforts for a day. It is easy to talk about the strong hand and martial law, but the strong hand is a game that two sides can play at, and martial law may be met by martial lawlessness.

But if our common sense friend is a hearty, robustious person, who is not going to be frightened by phantom pictures of what might happen, we must try to persuade him that he is wrong in his confidence about his economic value and his right and title to all the good things that he enjoys. We must put it to him that of course he must do just what he likes with his money, but that possibly if he thought the matter out he might like to use it in a manner that is a little different from his present method of spending. Because if he has done us the honour of reading the preceding pages he has been brought face to face with the fact that by spending money on luxuries he causes the production of luxuries and so diverts capital, energy, and labour from the production of

necessaries, and so make necessaries scarce and dear for the poor. He is not asked to give his money away, for he would probably do more harm than good thereby, unless he did it very carefully and skilfully; but only to invest part of what he now spends on luxuries so that more capital may be available for the output of necessaries. So that by the simultaneous process of increasing the supply of capital and diminishing the demand for luxuries the wages of the poor may be increased and the supply of their needs may be cheapened; and he himself may feel more comfortable in the enjoyment of his income.

Then we proceed to appeal to that excellent common sense of his, and ask him whether he is quite sure that because he receives £1000 a year he is really worth to the community ten times as much as the artizan who is paid two pounds a week. How much of his £1000 a year does he really owe to himself and his own exertions and abilities, and how much of it ought to be credited to his education and nurture and the long start with which he began life? If we all started from scratch, he might fairly

make some claim to having earned his success himself, though even so he would have to allow a very wide margin for luck; for his will be a rare experience if he cannot call to mind school-fellows of his own, just as well endowed as he is in character and ability, to whom fate has only opened her purse to the extent of a few hundreds a year. Moreover, if he will remember the remarkable proof given above of the store of intelligence that lies dormant among the workers because they have no real education to awaken it, he will see that if the career were actually open to talent, and all talent had a genuine chance of being developed, it is possible that his abilities and attainments might be of quite commonplace standard. As it is, owing to this lamentable waste of the intelligent material that lies ready to our hands, the business world is always crying out about the scarcity of available brains.

Moreover, still appealing to his common sense, we ask him to wonder how much use his own abilities would be to him if it were not for the rest of the community that gives him ease and security and supplies him with all the

comforts and luxuries that he enjoys. The argument so commonly used about landlords—that it is their neighbours who make their property valuable, by wanting to live on it—is true in a certain degree about all of us. Whatever our gifts of mind and body may be, they would avail us little towards achieving comfort, to say nothing of luxury, if we found ourselves planted by ourselves on a barren mountain top. Man, as a solitary unit, cannot acquire the well-being that is now enjoyed by the comfortable classes; he can only do so as a member of an economic brotherhood. We are accustomed to think of our economic civilization as based on competition, but in fact co-operation is much more important to it, for it is imposible to compete unless one first co-operates. This being so, since all of us who are comfortable and well fed and easy are so by the exertions of our fellows, is it in accordance with common sense, which is closely allied with common sympathy, to stand by and see millions of those who help to provide our comfort go short of the necessaries of life if we can do anything to better their lot? Is it

"good business"—for all this question is a matter of business—to spend money on things that one does not really need, if by so doing we impoverish the workers and sap the strength of the nation?

"But," we shall be told, "there always must be rich and poor. It's a law of Nature that some shall be strong and some shall be weak, and that the weak shall go to the wall."

Of course there must always be rich and poor. Even if all our incomes were made equal to-morrow, there would still be a great difference in the degree of our welfare, for some men can live cheerfully on a hundred a year, and to others a thousand is penury. But because there must always be differences, that is surely no reason for sitting still and leaving things alone if by a slight change in the habits of the spending classes some of the more glaring differences can be lessened.

As to the law of nature and the necessary division of mankind into strong and weak, is it safe to appeal to it before we have made quite sure that those now at the top are really the strong and those at the bottom are the weak?

If the law of nature really had free play we might see a very startling redistribution of the good things of the earth. "Were there," says a great scientist and thinker, "none of those artificial arrangements by which fools and knaves are kept at the top of society instead of sinking to their natural place at the bottom, the struggle for the means of enjoyment would ensure a constant circulation of the human units of the social compound, from the bottom to the top and from the top to the bottom." *

Civilization, in fact, consists chiefly of a series of triumphs over the laws of nature. In a natural state, if we had a decayed tooth it would go on decaying till it gave us such pain that we should pray some kindly brother savage to batter it out with a boulder, and it is likely that he would knock out two or three more with it. Civilization provides a dentist who stops it for us and preserves it as a useful member of our anatomy. In a natural state, when dimmed eyesight and dwindling muscular power made it impossible for us to get food by hunting or fishing we should either die of hunger

* Huxley "Evolution and Ethics."

or be mercifully eaten by a wild beast. Civilization keeps us alive and useful long after the laws of nature would have forbidden us to cumber the earth, and finally lets us die comfortably in our beds. If the laws of nature were given free play, any question at issue between a set of Northumbrian pitmen and the shareholders for whom they work would very shortly be settled, and the shareholders, or their remnants, would be found shouting for the police.

As it is, the artificial arrangements of which Huxley complains, work for the benefit, not only of fools and knaves, but of all who lead comfortable and sheltered lives, and have got nice well-paid posts, largely through the accident of being born in a certain class, and having been taught certain things at school, chiefly by their schoolfellows. We had better be very careful about talking of the survival of the fittest, for the more closely common sense looks at the matter the less certain its possessor will be that in a really natural struggle he would be among the survivors. The reason why man, naturally a very weak animal, has triumphed over all his natural enemies is because he had the good

sense, by co-operation and care for the weak, to overcome much of the terrible waste that is implied by the unrestricted working of the law of the survival of the fittest. He has acted by the weaker members of his tribe, who, by natural laws, ought to have perished, as the dentist acts by our weak teeth, and kept them as useful members of society. In fact, we have carried our conquest of natural laws so far that a man's grasp of the good things of life depends much less on his strength and courage and ability than on the position and circumstances in which he happens to be born. "Virtue is of little regard in these costermonger times," and we are faced by a state of things under which large numbers of us, and those by no means always the weakest, do not get a fair chance of life. Common sense surely compels us to do anything that can be done to put this right, and in the meantime advises us not to talk too loud about the laws of nature, if our position in the world depends on artificial laws which defeat them.

But common sense has still another cartridge in its belt. We shall be told that, even if we

could persuade the spending classes, by more sensible spending, to increase the supply of capital, raise the wages of the workers, and cheapen the necessaries of life, we should not have touched the most serious side of the problem of poverty, which is the existence of a host of people who, from mental and bodily weakness, are not fit to work, and so could not benefit by an increase in the wages of the workers. This is quite true, but I never suggested that the reform put forward in these pages could, if adopted, cure all the economic evils in the world. It is very safe to say that any remedy which is expected to cure everything is almost certain to cure nothing. But at least it may be claimed, if wages were raised and the prices of necessaries were lowered, that the creation of these unfortunate folk, whom heredity and environment have combined to deprive of man's birthright, would be sensibly checked, and, if the process were carried far enough, would be stopped altogether. Then all that would have to be done would be for the State either to see to it that they did not reproduce themselves or to take such measures for the care of their off-

spring that environment might have a fair chance of undoing the hereditary weakness.

For how has this army of the unfit, whose existence is the most ghastly condemnation of our economic system, come into being? They are the creation of low wages, assisted by the miserable conditions under which the worst paid of the workers have lived for generations, and to this source of their production has been added irresponsible spending, extravagance and consequently weakened moral fibre among the richer classes, which have turned out spendthrift ne'er-do-weels, who, in spite of all the artificial arrangements complained of by Huxley, have gradually sunk to the dregs. Both these sources of the output of unemployables might be stopped up, if the reform suggested in these pages were set to work and given time to bring forth its results. Probably it would take many generations before it would be possible altogether to weed out the unfortunate wights who are, in the expressive popular phrase, "born tired," and simply cannot face the daily effort of regular work. But much might be done to stiffen their backbones and

lessen their number if, instead of encouraging their production by underpaying our workers and making their lot difficult, and setting a stupid example of irresponsible and wasteful spending among the richer classes, we tried to bring home to all the simple fact that by wrong spending we aggravate the economic evils of our present system, and that by wise spending we help to correct some of them.

CHAPTER VIII

THE CONSUMER'S RESPONSIBILITY

As things are at present, the manner in which we spend our money is a matter in which we are swayed less by intelligence than by habit and convention and sheep-like mimicry of one another, tempered by weak-minded submission to the bullying of the advertiser.

"Although," says Dr. Hadley, "laws prescribing what a man may buy or sell have fallen into disuse, it must not be supposed that every man exercises his intelligence and pleasure to buy what will give him the most happiness. People are bound by custom where they have ceased to submit to law. A large part of the expense of most people is regulated, not by their own desires and demands, but by the demands of the public sentiment of the community about them. The standard of life of every family is

fixed in large measure by social conventions. Few are intelligent enough to break away from those conventions, even where they are manifestly foolish. Although we have made much progress in the direction of economic freedom, it is a mistake to assume that the authority of custom in these matters is a thing of the past. With most men custom regulates their economic action more potently than any calculation of utility which they are able to make. Nor can we assume, as some writers are prone to do, that such custom represents the average judgment of the community as to the things needed for the comfort and happiness of its members. It represents an average absence of judgment —a survival of habits which doubtless proved useful in times past, but which in many instances have entirely outlived their usefulness. The success of advertising shows how little intelligence is habitually exercised in these matters. A man does not generally use his nominal freedom to buy what he wants until some one comes and tells him in stentorian tones what he wants to buy. The authority of custom and tradition can only be overcome by the authority

of drums and trumpets. It is a mistake to draw too fine-spun deduction as to the motives which guide buyers in their choice, when three-quarters of the buyers exercise no choice at all. It is not merely that people want things which hurt them, or which fail to do them the maximum good, . . . but that they buy things, without knowing whether they want them or not, through sheer *vis inertiæ*." *

This uncomfortable string of home-truths, dealt out to us all by a distinguished economist, would not hit us very hard if we were the only sufferers by the absurdities that he puts before us so clearly. If we chose to waste our own money at the bidding of convention and the advertiser, and if we could do so without hurting anybody else, we need only say with Puck :—

"Lord, what fools these mortals be!"

and leave ourselves to the consequences of our folly. But the folly becomes tragedy when we have once grasped the fact that bad spending makes the poor poorer, and it becomes necessary to look more closely into this question of the

* Hadley, "Economics," chap. iii.

consumer's responsibility and to see whether something cannot be done to deliver him from the yoke of convention and from the paw of the advertising lion.

Whenever the question of spending arises, it usually happens that the attention is captured by the enormous figures of national expenditure, and wanders away into denunciations thereof, especially that part of it which goes into armaments and preparations for war. The figures are certainly appalling.

"For the whole ten years just coming to an end," writes Mr. A. J. Wilson, "the cost of the army and navy will have been about £306,000,000 more than the cost for the ten years ending March 31, 1909. What might have been done with this money, had the same taxation been imposed and the whole of it made available for works of peace? The catalogue of imaginary benefits might be made to fill pages. We might have driven half a dozen tunnels under the Channel between England and France, and a like number between Scotland and the North of Ireland; vast tracts of country might have been afforested and reclaimed with infinite

benefit to the labouring man and the community at large; throughout the country great reservoirs might have been constructed, whose accumulations of water would have been available, not only for irrigation purposes, but to generate enough electricity to supply the wants of all the railways and factories in the Kingdom. A great dispersal of the population might by this means have been carried out through the development of industries in rural districts, industries . . . which would have in no way interfered with the developments of agriculture, while at the same time relieving the congestion of cities where nothing that can be done will ever compensate huddled humanity for the effects of overcrowding." *

Mr. Wilson's picture of what might have been is a telling comment on what is. It is a wondrous spectacle, to see the Governments of all the most civilized nations of the earth protesting against this barbarous waste of money and effort, and yet continuing it year by year in ever keener rivalry, and without ever coming a step nearer to the sense of security which is

* *Investors' Review*, February 14, 1914.

what they are trying to buy. One can faintly picture in one's imagination the scorn and astonishment with which the Cambridge undergraduate of the twenty-fifth century will read the economic history of our times, calculating, with curling lip and mathematical precision, the thousands of millions that the nations will have spent in this way out of sheer fear of spending less than their neighbours.

Mr. Norman Angell has tried to stem the tide of this expenditure by proving that war does not and cannot pay.* But he does not prove that it does not pay better to win than to be beaten. And how many wars in man's history have been fought solely with an eye to lucre? To do mankind justice, it has seldom gone to war with a purely sordid motive. Most of the great wars happened because the ruling classes in two nations had conflicting theories about transubstantiation or the balance of power, or some obscure dynastic question. Why did we go to war with the Boers? Finance played its part behind the scenes, but it never could have brought the war

* 'The Great Illusion,' *passim.*

about if most of us had not wanted to wipe out the memory of Majuba or paint the map of South Africa red, or do something or other which may have been right or wrong, but at least had no connexion with any question of monetary gain.

Government expenditure, however, is beyond our present scope, and there is this much to be said in favour of the huge burden of taxation laid on the nations by their armies and navies. It is not self-indulgence, but a sacrifice cheerfully borne, and, as such, it may be doing us some good after all. Moreover, huge as the figures look, especially when we add them together, as did Mr. Wilson, for ten years, they are really a comparatively small affair when we put them by the side of the aggregate of our individual expenditure on extravagance and luxury.

What is luxury? What I mean by luxury is anything that we can do without, without impairing our health of mind and body. This elastic definition shows that luxury varies according to the circumstances and upbringing of every individual. In many families luxury

is not a matter of things enjoyed, but of their quantity and cost. We all want food, drink, clothes, shelter, and diversion; and most of us could be quite as healthy and happy if the sums that we spent on these things were much less. It would be absurd to lay down a hard and fast rule of spending for everybody, and then to say that any excess above that is luxury. A certain amount of amusement, a certain amount of beauty in our homes and surroundings, are as necessary to real health of mind as good food is to our bodies. There is no need to preach anything like stern ascetism. Those who have been brought up to a certain scale of comfort would suffer in mind and body if they tried suddenly to do without it, but in considering any fresh expenditure the definition given above should serve as a working measure.

An obvious example of a luxury is a motor-car or motor-cycle. It is clear that we could all do without them without any loss of health, because twenty years ago there was not one to be seen or heard on our roads, and the Act was still in force which made four miles an hour the statutory speed for mechanically

propelled vehicles, which still had to have a man with a red flag walking before them. Certainly we were at least as healthy in mind and body in 1894 as we are now. The noise and hurry that motors have brought with them are a strain on all our nerves, and the thousands of youths who now sit on motor-cycles instead of kicking the pedals of a "safety" are thereby flabbier in their muscles. The present rate of expenditure on this form of luxury in the British Isles was worked out in an article in the *Times* of February 3, 1914, at nearly £74,000,000 per annum. This includes purchases of new cars. Here are the exact figures, based on last year's results :—

New cars and cycles bought . . .		£19,912,428
"Spares" and accessories . . .		5,773,396
Running expenses . .	(over)	47,994,000
		£73,679,824

These figures, as the article points out, "cover only the direct expenditure upon cars and their running, and take no account of the money expended indirectly in connection with motoring, such as the cost of suitable clothes for motoring and hotel and travelling expenses

on tour, which certainly adds several millions to the aggregate amount." Adding this and other items, including a charge of £11,000,000 a year for depreciation, the article concludes with the statement that "it is certain that, at the present rate of increase, the gross expenditure upon all branches of motoring will, before the present year is out, reach the enormous annual figure of £100,000,000." But since it is perhaps unfair to debit the motor with clothes and hotel bills, and since the provision of a depreciation fund (out of which the car can be replaced when worn out) is a bookkeeping nicety with which motorists seldom trouble themselves—"Nobody," as one of them told me, "could keep a car if he thought about depreciation"—it is safe to keep to 74 millions as the present annual cost of motoring. Then one must allow for the fact that in many cases motors have taken the place of carriages, horse omnibuses, cabs, and carriers' carts; that is to say, many of them have become necessaries, enabling people to travel to and from their work, and goods to be sent quickly and cheaply. On the other hand, however, we have to remember that, in

the first place, the annual cost of a car is usually much more than that of a horse and carriage; and, in the second, that thousands now indulge in motoring to whom, a quarter of a century ago, it never would have occurred to keep a carriage.

Telephones are another new-fangled toy on which the richer classes spend a formidable sum in the course of every year. To every office or place of business they are a necessity, because if one has them competition makes them essential to the rest, but they are not a necessity in any private house. Not only are they an extravagance, but a cause also of further extravagance. "Before I had a telephone," a friend of mine lately observed, "I only went to a theatre if I had arranged to beforehand. Now, if I feel bored any evening after dinner, and don't quite know what to do, I ring up a theatre and take seats. My telephone costs me many guineas a year in theatre tickets."

Expenditure on motoring and telephones is confined to the comparatively well-to-do classes. If we added to its total the annual cost of hunting, shooting, horse-racing, yachting, and all the

extravagance now practised, down to much lower strata in the social system, on dress and food and drink and entertainment, the new-fashioned habit of a yearly spell of winter sporting abroad and of so-called week-end holidays, it is safe to guess that as individuals we spend on amusement and luxury very many more millions a year than could be saved by us as a nation, if armies and navies were all abolished and that long-promised "boom in ploughshares" became at last an accomplished fact.

"But," I shall be told, "motoring has brought a great industry into being, and most of these millions spent on it go into the pockets of the working classes." Quite true, and it would be equally true if the wealthy classes suddenly developed a passion for going up and down Eiffel Towers all day, and every one had his own tower, duly provided with lifts and a dining-room at the top, in his own grounds. Armies of workmen would be wanted to build all the towers and repair them and paint them and to work the lifts and cook and serve the meals at the top. It would be a magnificent new industry, and would give employment to

thousands. Any stupidity or crime that any one chooses to spend money on gives employment to somebody. Bear-baiting and body-snatching were both fine industries in their day, and the slave trade provided thousands of honest fellows with a good living.

But there is this great and essential difference between spending money on something that is not really needed, and devoting it to productive purposes, that in the one case the money spent is gone as soon as the article purchased is worn out, or the momentary pleasure bought has been enjoyed, while in the other a certain amount of capital has been invested in industry and will produce for years to come wages for workers, salaries for managers, and interest and profit for shareholders.

Let us see what happens to all the millions that the motoring classes every year put into this form of amusement. They pay wages to thousands of people, and give profits to shareholders, and fees to directors and managers, and pay to advertisers and all the hangers-on of the industry. At the same time those who minister to the various wants of all these people

who have received this money get their share of it, as it is passed on in payment for food and clothes and housing and their other wants. All this money goes into circulation and keeps hundreds of thousands profitably busy. What could be better?

Just this. If these millions were not spent on motoring or on any other form of luxury, they would be saved and invested either directly by their owners or by the bankers to whom they were entrusted. By being invested they would be put into the hands of some private adventurer or public company to work or extend some industry, or into the hands of some public body to carry out some public work. "While, on the one hand," says J. S. Mill, "industry is limited by capital, so on the other every increase of capital gives, or is capable of giving, additional employment to industry; and this without assignable limit." * The adventurer or company or public body that borrowed the money from its owners would spend them in building a railway or a factory or a ship or in bringing waste land into cultivation, or in

* "Principles of Political Economy," Bk. I., chap. v.

the hundred other methods for which capital is required.

In whatever way the capital was spent, it would give employment and circulate money through all classes, just as did the sum that was spent on motors; but there would be this great and important difference in the subsequent result, that instead of so many motors having been acquired in exchange for it, a factory or a railway or a ship would have been built and set to work to do productive work, or a city would have improved its water supply or laid out a park or cleared away a slum area, to the benefit of the health and vigour and happiness of its inhabitants for all time. In ten years' time the motor will have nearly rattled itself to pieces, and in the meantime will have earned little or nothing for its owner, who will have had to keep it running out of his own pocket. Its sole use will have been to convey him about the country. The railway and the factory and the ship will still be working and carrying and producing goods, and in the meantime will, if built and managed with care, have produced enough for their maintenance, and

to pay interest and profit to the capitalist, salaries to the managers, and wages to those employed on them. The ship will be showing signs of wear and tear, but her earnings ought to have been sufficient to create a big depreciation fund, so that by the time she is old iron, enough will have been saved out of her profits to buy a new one to take her place.

Thus we see that all money which is held back from being spent on luxuries and put into production has a more or less permanent existence. It goes on making more wealth and employing more labour; if the instrument of production that it goes to create is short-lived like a ship or a machine, the profits earned from it must be big enough to replace it when it is worn out, or it would not pay to make it. So money that is well invested breeds more capital and more employment. Money that is spent on luxuries is wasted as soon as the fleeting life of the toy that it buys is over. It is true that some few luxuries are much more long-lived than a ship. A diamond tiara or a rope of pearls is an heirloom and a possession from one generation to another. But in the

meantime it is so much money locked up, earning nothing for anybody, and further it would lose its value to-morrow if a change in feminine fashion made the wearing of such glittering baubles a sign of bad taste.

"But you have begged the whole question," says a shrewd critic, "when you say that money well invested breeds more capital and more employment. That little word 'well' involves a huge assumption. Isn't it better to buy a motor-car than to put a thousand pounds into some wild cat venture in the City and lose the whole of it and never get a pennyworth of fun out of it?"

This is quite true, and the many millions that have been lost in wild cat ventures are a miserable cause of economic loss and depression. In fact, I have lately heard a business man contend that Germany will soon be the richest country in the world, solely because its Government takes care of the investor and protects him against wild cats, and, if a company is found to have been dishonestly started or managed, puts the directors into jail. But if people spent less on luxuries they would no

longer be tempted to "go a-whoring after false gods," in the form of unsound securities. Rotten companies and securities are provided because the gullible and greedy public asks for them, and it usually asks for them because its extravagance is so clamorous that it tries to take short cuts to wealth. Then it often suffers the probable consequences of taking short cuts in country that one does not know. "It is so hard to make both ends meet nowadays," one hears folk say, "that I can't afford to invest my money for less than six per cent." If one inquires why it is so hard to make both ends meet, one finds that it is because the complainant, who in days gone by never dreamt of keeping a carriage, must have a motor now because all his neighbours have got them, that instead of entertaining his friends pleasantly and simply by his own fireside, he thinks it necessary to ask them to dine at a fashionable hotel, on questionable food and in uncomfortable surroundings, to the strains of alleged music that drown all possibility of conversation, and that in other respects he is "in the movement" and leading a harassed, unsatisfactory, unwholesome, and much too

expensive existence. And so he must have six per cent. or ten, if he can get it.

Speculation is quite a legitimate form of amusement for those who can afford it, and without it we should never get a new industry started or a new venture tried. It only becomes stupid and criminal when impecunious people try to make it a source of income, and to persuade themselves that they are investing when they are in fact only gambling.

If we only learnt to spend money with more sense of responsibility and to remember that when we buy luxuries we make the lot of the poor harder, we should not only benefit the poor but incidentally ourselves also, and at the same time we should work a great financial reform, without any need for the Draconian methods of our German neighbours. We should give ourselves a margin and so be able to prefer the comfortable security of a solid investment to the alluring glitter of a brilliant gamble. The supply of rotten securities would be turned off at the tap if there were no gullible public ready to swallow them, through ignorant greed bred of stupid extravagance. A horde of questionable

company promoters and share-pushers and other organizers of financial rottenness would have to turn over new leaves, and honest finance would come by its own, being no longer defiled by pitch from the buckets of the bucket shops.

Then, when the wrong kind of speculation had been done away with, and mere ignorant gambling no longer led the impecunious into disaster, there would be more money for the right kind of speculation, the testing of new processes and the financing of new inventions. Speculation is necessary to economic progress, but it ought to mean the risking of capital on honest but unproved ventures, put before the public by responsible firms, and the risk should only be taken by those who are prepared, and can afford, to lose their money.

Finance would thus be cleaner if expenditure were more sensible, but, at the same time, much of the advantage would be lost, unless the leaders of finance were more careful to see that the funds which they place at the disposal of borrowers all over the world are put to good and reproductive uses, and are not muddled away or used for political purposes or worse. The

recent fashion of investing abroad has been full of temptation to Governments of backward States and has sown a crop that has yet to be harvested, though some of its firstfruits have already been garnered. But the financial world is already showing more consciousness of this responsibility. During the Balkan war, the London market was rigorously closed to the belligerents, in spite of the tempting rates that they offered. Mr. Norman Angell's preaching had had its effect. In Paris it was otherwise, and now Paris is sorry.

While we are on this subject of investing money abroad, it may be well to anticipate an objection, that money which goes abroad will not help the labour market at home. The answer to this objection is, that money well invested abroad is likely to increase the production of food and raw material, and so reduce the prices of necessaries, and also, that trade activity and rising wages are nearly always seen at times when we are making large exports of capital.

A sense of responsibility in the enjoyment of wealth is no new-fangled notion. In the Middle

Ages the owner of land, then the form in which wealth was most commonly held, owned it only on condition that he put so many men, in proportion to his wealth, into the field when called on by his sovereign, and put himself at their head when they went into battle. This responsibility is long obsolete, and in the eye of the law and of custom a man who cuts off coupons or draws dividends and rents, or earns a big salary, may do as he pleases with his money. If he makes handsome contributions to charity, it is counted to him for righteousness, and rightly, since he is giving away what he believes, and his neighbours believe, to be his own. But, in fact, it is his own only in a very limited sense. If he has inherited it, he owes the peaceful possession of it to the protection given him by the rest of the community. If he earns it by his abilities, he owes it to exceptional training that his abilities have had, and to the neglect of the abilities of the greater part of the population, through lack of this training. The ease and comfort that he enjoys only exist because he is a member of a great whole, that works for him and works with him. If he spends his

money in a manner that is harmful to the whole, he is not making a fair return to it for the benefits that it pours on him, and any expenditure that makes the lot of the poor harder is unquestionably harmful to the nation as a whole. Apart from any considerations of humanity and equity, it is economically unsound that a large proportion of the population should be short of the necessaries of life.

It is a commonplace that needs no proof that extravagance on the part both of nations and of individuals has increased very fast in the last few generations. The consequences, scarce capital and high prices, are before our eyes, "plain as way to parish church." High taxes prevent our saving and so does a so-called high standard of comfort, which generally means a high standard of ostentation, and of expenditure according to convention, instead of according to our wants.

"For at least half his expenditure," says Mr. Dibblee, "an ordinary individual does not know what he wants, and out of the other half for at least a half he does not get what he wants. . . . Half the furniture of any house is mere

mimicry of other establishments, whose use is in display without beauty or comfort. Half the clothing of either children or adults is dictated by fashion and discarded before consumption. Half the wages of most of those who pay any for domestic service are for the performance of ceremony, useless, boring and time-wasteful. Few of us are perhaps willing to admit this specifically in our own cases. . . . But it is easier to see the truth of such a generalization in the habits of others, particularly of the very rich, whose estates and stables, yachts, gardens and pictures are bought for them, kept going for them and regulated for them down to the last boot-button by a whole army of officials and experts with only an occasional reference to any personal enjoyment, which their owner may expect from them." *

Let us leave the question of national extravagance to statesmen. Individual extravagance is a matter that each one of us can deal with himself, as far as he is guilty of it. As long as he believes that he only is a sufferer by it, and that if he outruns the constable he alone takes

* "The Laws of Supply and Demand," pp. 22, 24.

the consequences, he can go on merrily wasting the good things of the earth. But when once he has grasped the fact of the consumer's responsibility, he sees that it is one which he cannot evade. We are all consumers, and by our demand for goods and services we decide what goods and services shall be brought forth into the world's mart. If we abstain from, or reduce, our luxurious and frivolous consumption, we check the production of luxuries, and set free capital and energy for the production of necessaries. At the same time, by checking our consumption of goods that we do not want we save more capital and so quicken the demand for labour, and so the workers are enabled to take advantage of the increased supply of necessaries. When the workers are all supplied with necessaries and poverty in its grimmest aspect has been driven off the face of the civilized earth, then it is likely enough that increased production may give us a surplus that we can use as we like. At present we consume luxuries at the expense of the ill-fed workers.

As we are all consumers so we all have this consumer's responsibility, and nearly all of us

ignore it. Extravagance is rife in all classes. Thanks to the drums and trumpets of the advertiser, and the blatant publicity with which the luxurious exploits of the wealthy are nowadays chronicled, the habit of aping the expenditure of those better off than ourselves is pathetically general. The thriftlessness of the poor, and the terribly bad use that they make of the pittance that civilized society hands out to them, are lamented by all who have worked among them. The marvels that the really destitute achieve in keeping body and soul together on next to nothing, are almost paralleled by the recklessness with which those who are rather better off take no thought for the morrow, and waste on betting or drink or cheap finery money that is needed for their food and clothing. In their case it is natural enough. How many of us, who have been brought up differently, would act differently if we had to live their lives and face the problems that they deal with daily, and look forward to the future that is before them? But it is one of the lessons that the leaders of the workers have to teach, that they also have responsibility as consumers and that

labour can never win a complete victory until it has conquered its own lack of thrift.

"When we remember," says Walker, "that the expenditure of the people of Great Britain, annually, for alcoholic beverages reaches the enormous sum of £180,000,000 . . . four-fifths, at least, of which is spent in a way that is not only without any beneficial effect, but is positively injurious, a large part of it going to the destruction of moral, intellectual, and physical power, we get a rude measure of the force which a wiser consumption of wealth might introduce into the economic life of that country." *

In this matter of the consumer's responsibility an enormous influence can be exercised by women. In the constituency of consumers they have already got a vote and a majority, and can use it to-day with overwhelming effect. Most of the world's spending is done by them, especially in the middle class, whose numbers and wealth make its action all-important. In many middle class households the man, the

* "Political Economy," Part V. chap. iii. The Second Edition, from which I quote, was published in 1887. Our national drink bill for 1913 was £166½ millions.

ostensible head of the family, is more or less in the position of the doctor described by Mr. Arnold Bennett in "Buried Alive," whose "wife and two fully developed daughters spent too much on their frocks. For years, losing sight of the fact that he was an immortal soul, they had been treating him as a breakfast-in-the-slot machine: they put a breakfast in the slot, pushed a button of his waistcoat, and drew out banknotes." Household expenditure, that bulks so large in most of our Budgets, is usually regulated almost entirely by the women of the family, who are the spending departments of the domestic Civil Service. If women could be brought to see, and act on, their responsibility as consumers we should have made a long step forward towards a big reform. How far some of them are from this perception is shown by the example of a lady who lately achieved the honour of public mention in the newspapers by owning over a hundred nightgowns.

Summing our conclusions up, we may say that two evils now stand in the way of a better share for the workers in the good things of the earth. These are the dearness and scarcity of

capital and the dearness and scarcity of food and raw materials. Both these evils every one of us can help to correct by spending less on luxuries, and living more sensible lives, in accordance with a more genuine standard of comfort, based on our real wants instead of mimicry of the extravagance of our neighbours.

If we did so we should at the same time be working to do away with both the causes of discontent with the results of civilization referred to in Chapter I. There we found that this discontent was due partly to our comparing our present comforts, not with those enjoyed by our forbears, but with those indulged in by our neighbours, and partly to an uncomfortable feeling that the existence of poverty in the midst of wealth is a disgrace to our civilization. Now we find that we can do something towards expelling both these causes of discontent by a single effort of mind, by seeing that members of the well-fed classes are better off than they have ever been before, if only they would recognize the fact and not always be asking for more. The keenness of the struggle among them is only due to a false ideal, which makes comfort

consist in spending more than one's neighbour. If they would straighten out this twist in their minds, they would kill one cause of discontent at a blow, and by the more rational expenditure that would follow they would do something to kill the other; by checking the demand for luxuries, laying by more capital for industry, and helping the production of necessaries. So we might do something towards making a world in which the poverty of those who do the hardest work should no longer be a reproach to all who enjoy its comforts. And we could do it ourselves, every one of us who have more than a living wage.

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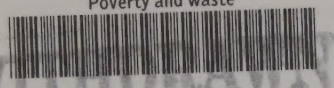
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